



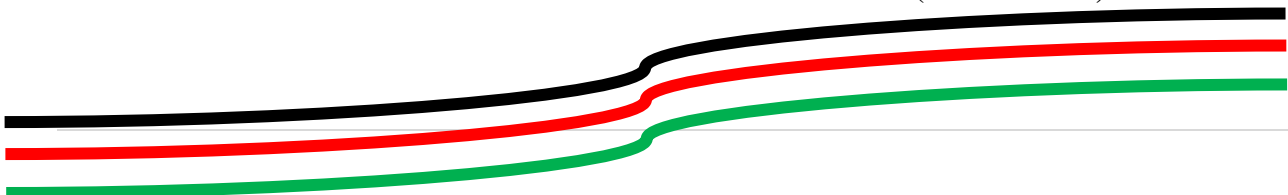
**COUNTY GOVERNMENT OF KISUMU**

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**COUNTY FISCAL STRATEGY PAPER  
(FY 2019/2020)**

***THEME: Towards a Peaceful and Prosperous County***

**KISUMU COUNTY FISCAL STRATEGY PAPER (FY 2019/2020)**



**Vision:**

*A peaceful and prosperous County where all citizens enjoy a high-quality life and a sense of belonging.*

**Mission:**

*To realize the full potential of devolution and meet the development aspirations of the people of Kisumu County*

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## **ABBREVIATIONS**

CADP	County Annual Development Plan
CAPR	County Annual Progress Report
CFSP	County Fiscal Strategy Paper
CHV	Community Health Volunteer
CIDP	County Annual Development Plan
CIMES	County Integrated Monitoring and Evaluation System
CO	Chief Officer
CRA	Commission on Revenue Allocation
DVPT	Development
EAC	East African Community
FY	Financial Year
GDP	Gross Domestic Product
H.E	His Excellency
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
KEU	Kenya Economic Update
KISIP	Kisumu Informal Settlement Improvement Scheme
KM	Kilometer
KUP	Kisumu Urban Programme
MTP	Medium Term Plan

NDA	Net Domestic Assets
NFA	Net Foreign Assets
NHIF	National Hospital Insurance Fund
NSE	Nairobi Stock Exchange
O&M	Operation and Maintenance
PE	Personnel Emoluments
PFM	Public Finance Management Act
POS	Point of Sale
PPP	Public Private Partnership
RRI	Rapid Result Initiative
SEZ	Special Economic Zone
SGR	Standard Gauge Railway
SME	Small and Medium Size Enterprises
VTC	Vocational Training College



## **FOREWORD**

The 2019 Kisumu County Fiscal Strategy Paper (CFSP) is the second in the County's plan period 2018-2022. This paper highlights the legal framework underlying the fiscal responsibility for the County Government while reviewing the recent economic development. It specifies the strategic priorities and policy goals that will guide the County government in preparing its budget for the Financial Year 2019/20.

This CFSP builds on the gains made in key sectors at early stages of the second-generation County Integrated Development Plan (2018-2022). In this respect, the policy goals, priority programs and fiscal framework are aligned to support achievement of the objectives of CIDP II, Medium Term Plan III and ultimately the Vision 2030. The County government will certainly augment economic transformation by strengthening the government's service delivery and performance management system, supported by solid planning and budgeting. In terms of programmes, the focus will be on agricultural productivity and food security, institutional strengthening and capacity building, enhanced resilience, adaptive capacity and access to clean and safe household water, skills development, business incubation and innovation support services. In addition, priority will be given to development enablers such as business environment infrastructure.

To enhance revenues, the County government will implement the following initiatives: finalization of revenue management system by undertaking systems integration, acquisition of ICT infrastructure such as POS machines, computers as well as networking and implementation of valuation rolls once finalized.

Finally, we are grateful to H.E the Governor for guidance and counsel in the development of this document. My sincere gratitude goes to my cabinet colleagues and all Chief Officers for their contributions. The invaluable effort and the significant amount of time spent by the CFSP secretariat led by the Chief Officer, Economic Planning is truly appreciated. Equally, we value the useful inputs we received from various stakeholders and the public when we undertook consultations through public participation in line with the requirements of the Public Finance Management Act, 2012 and the Constitution.

**MR. NERRY ACHAR**

**COUNTY EXECUTIVE COMMITTEE MEMBER**

**FINANCE AND ECONOMIC PLANNING**

# **CHAPTER ONE**



## **1.0 INTRODUCTION**

The Constitution of Kenya 2010 created a two-tier government; a National Government, along with the County governments that are distinct and interdependent. The County governments are responsible for spearheading development and service delivery through a process that links planning and budgeting as stipulated in the County Government Act, 2012. The Public Finance Management Act, 2012 requires that the County Governments prepare and submit a County Fiscal Strategy Paper (CFSP) to the County assembly by the **28<sup>th</sup> February** of each year.

The County Fiscal Strategy Paper contains:

- i. Performance on the previous Financial Year (2017/18) and a description of budget implementation for the first half of the year, including revenue and expenditure performance.
- ii. A description of any changes to the budget during the year (Supplementary Budget)
- iii. An overview of the expected revenue and expenditure totals for the coming year based on an assessment of the economy and other factors which may affect the County.
- iv. Ceilings on the amount of money each sector will get and a narrative explanation.

## **1.1 LEGAL BASIS FOR THE PUBLICATION OF THE FISCAL STRATEGY PAPER**

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

- (1) The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28<sup>th</sup> 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: -
  - i. The Commission on Revenue Allocation
  - ii. The public
  - iii. Any interested persons or groups, and
  - iv. Any other forum that is established by legislation.

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

## **1.2 FISCAL RESPONSIBILITY PRINCIPLES**

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

- (1) A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.
- (2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles: -
  - (a) The county government's recurrent expenditure shall not exceed the county government's total revenue.
  - (b) Over the medium term a minimum of thirty percent (**30%**) of the county government's budget shall be allocated to the development expenditure;
  - (c) The county government's expenditure on wages and benefits for its public officers shall not exceed percentage of the county government's total revenue as prescribed by the county Executive member for finance in regulations and approved by the County Assembly;
  - (d) Over the medium term, the government's borrowings shall be used only the purpose of financing development expenditure and not for recurrent expenditure;
  - (e) The County debt shall be maintained at a sustainable level as approved by county assembly;
  - (f) The fiscal risks shall be managed prudently; and
  - (g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.
- (3) For the purposes of subsection (2) (d), short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue.
- (4) Every county government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by a resolution of the county assembly.

(5) The regulations may add to the list of fiscal responsibility principles set out in subsection.

### **1.3 OVERVIEW OF THE COUNTY FISCAL STRATEGY PAPER**

This is the second County Fiscal Strategy Paper prepared by Kisumu County to realize the implementation of the ten-point agenda as highlighted in the CIDP II (2018-2022).

The Fiscal Strategy Paper is the guide to the county budget process. It looks at how the past and the present setting of the budget process can inform the future. It specifies 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 (3-5 years). The paper looks at performance of the 2017/2018 budget and implementation of 2018/2019 up to 30<sup>th</sup> December, 2018 and makes projections indicating the overall revenue and expenditure expected for the 2019/2020 financial year.

In order to come up with sector allocations, the paper outlines county key sector priorities to help identify areas to fund and by what proportion of the total budget. It provides sector ceilings representing the budget limits, the amount of money the county plans to spend in meeting the identified priorities in the 2019/2020 financial year.

# **CHAPTER TWO**

## **SECTOR REVIEW**

## **2.1 AGRICULTURE, IRRIGATION, LIVESTOCK AND FISHERIES**

The County aims at revitalizing agriculture for food security and agribusiness as well as employment and wealth creation in order to promote sustainable land use. In order to realize this, the agricultural sector has rolled out programmes targeting crop production, livestock, dairy and fishing industries.

The key achievement for this sector in 2017/18 FY included: de-siltation of three irrigation schemes, reclamation of 2 wetlands, distribution of 180 in calf heifers to farmers in Kisumu West, Nyakach and Muhoroni Sub-Counties, 85 dairy goats in Seme and Nyando sub counties, restocking of 172 fish ponds with 172,000 fingerlings across the County and rehabilitating 2 livestock sale yards and a slaughterhouse.

In irrigation sector, there was a general increase of land under irrigated agriculture from 15% to 16%, through the rehabilitation of weirs, canals and intakes.

The key outcomes for this sector in 2019/20 FY include: environmental conservation and climate change mitigation through sustainable land use, increased agricultural productivity and output, affordable agricultural credits and inputs, improved market access and product development and improved effectiveness and institutional efficiency in service delivery.

In particular, the department will focus on:

- Revival of rice milling activities in collaboration with the Lake Basin Development Authority (LBDA);
- Establishment of a Centre of Excellence for fingerlings production at the shore of Lake Victoria, to serve the East African regional market, in collaboration with Victory Farms International and other partners;
- Supporting continuous farmer education by investing in facilities improvement at existing Agricultural Training Centres (ATC);
- Further development of the dairy industry by increasing dairy feed production especially in Muhoroni sub-county while upgrading local breeds for improved milk production;
- Upgrading the milk cooling plant in Muhoroni Sub-county to a processing plant, in collaboration with development partners;
- Establish demonstration and experimental farms for high value crop production, mainly fruits and horticulture as potential alternatives to traditional crops;
- Reclamation of Mboha wetland for agricultural production and resolving the land ownership issues at Nyamthoi in collaboration with other departments of the County government and the national government, in order to begin crop production in the area.

In order to realize this, the County Government will allocate **Ksh. 596.92M** to the sector in 2019/20 FY.

## **2.2 FINANCE AND ECONOMIC PLANNING**

The department is mandated to receive, disburse and control funds as enshrined in the PFM Act. It is also tasked with the responsibility of ensuring prudent management of funds by adopting best practices and implementation of the County Fiscal Policy, providing leadership in economic policy formulation, coordination, implementation and tracking of results for sustainable development.

The major accomplishments for this department during the last financial year included the development of three planning documents namely CADP 2018/19 FY, CFSP 2018 FY, CAPR 2018 FY, development of CBROP (2017/2018), Budget Estimate (2018/2019), the Finance Bill (2018/2019), and implementation of grassroots projects in 2017/18 FY. Kisumu County is one of the Counties recognized by CRA for outstanding fiscal discipline in FY 2017/2018.

The department intends to focus on utilizing County financial resources and manages its assets more efficiently and effectively, developing an M&E policy as well as capacity building on M&E and completion of Sub-County planning and documentation centers.

The department will therefore be allocated **Ksh. 628.65 M** in FY 2019/20.

## **2.3 BUSINESS, CO-OPERATIVES AND MARKETING**

The Department focuses on promotion of vibrant business sector through capacity building, empowerment of traders and MSEs, promotion of sustainable cooperative sector, enhancement of 24-hour economy and industrial growth.

The main achievements of the department include: empowerment of over 25 MSEs with provision of value addition equipment, developed cooperative policy, bill and regulation, SACCO software and capacity building of over 30 SACCOs. Improved market infrastructure of over 30 markets and issued out trade funds to 180 traders, Developed Fair Trade Policy and Consumer Protection Policy.

The department will embark on the following; Improvement of market infrastructure, establishment of 6 modern markets, empowerment and capacity building of traders especially in the beach management units and small enterprises, business incubation services linked to innovation activities supported by other departments, empowerment and capacity building of SMEs and cooperative societies. The department will also intensify marketing efforts to find local and international markets for fish and milk as well as improve farmer earnings from millet.

The County Government therefore intends to allocate **Ksh 174.04M** to this sector in FY 2019/20.

## **2.4 PHYSICAL PLANNING, LANDS, HOUSING AND URBAN DEVELOPMENT**

The mandate of this sector is to ensure rational spatial planning for sustainable land use and management that guarantees orderly development of adequate social amenities towards adequate



and secure housing for socio-economic development. The department plans to develop policies, strategies, and programmes on lands, housing physical planning and urban development, provide guidance for sustainable orderly development, setting County standards for sustainable land use and development.

The key achievements for this sector include: development of County housing policy, coordinating KISIP projects in 3 informal settlement, delivery of the draft valuation roll and initiation of development of integrated development plans for Ahero & Maseno

Land banking is a key pillar in the Governor's manifesto. However; budgetary ceilings have choked this important delivery. The Department intends to acquire large parcels in various areas of the county for various economic establishments and housing. Most importantly the Department is tasked with delivering the 10,000 housing units outlined in the Governor's manifesto and the big 4 Agenda. The Department Plans to deliver at least 2,000 units annually through various financing partnerships and to jointly with the National Government process title deeds for all public lands.

The County Government will therefore allocate **Ksh. 395.99M** to this sector in FY 2019/20.

## **2.5 ENVIRONMENT, WATER AND NATURAL RESOURCES**

The key priority for this sector is enhancing access to safe and healthy environment with sustainable water supply and irrigation system through a multi-sector approach, acquiring, design and constructing solid waste management spaces in each sub-county and a disposal facility, transferring stations with ramp platforms and skips, waste to energy and recycling centers

The key achievements of this sector include: increasing sewage cover from 16% to 17% in 2017/2018, increasing the coverage of safe water from 58% to 60% through sinking of boreholes, pipeline extensions and springs protection.

The department will ensure serene and clean environment through effective solid waste management, increase in number of procured garbage skips, carrying out cleaning activities, construction of a waste chamber, and repair and improved functionality of garbage trucks. The department and partners planted 140,000 trees in various landscapes. In the pollution control and enforcement sector, the department carried out countywide education on noise pollution control. In the Natural resource management front, there was improved rehabilitation of two parks and open space within the city of Kisumu.

The County Government will therefore allocate **Ksh. 556.45M** to this sector in FY 2019/20.

## **2.6 HEALTH AND SANITATION**

The Department of Health and Sanitation works to transform the livelihood of the people of Kisumu County through responsive and sustainable technologically-driven evidence-based and client centered Health System for accelerated attainment of the highest standards of health.

The Key achievements to this department include:

- i. 2, 422,118 Outpatient consultations and treatments done
- ii. 110,616 inpatient attendance including 5,421 major and minor surgical operations
- iii. 58.8% of women attended at least four Antenatal Care Consultations
- iv. 73.6% of pregnant women delivered under skilled birth attendance and 80% of children under one year were fully immunized to prevent them from vaccine preventable diseases.
- v. Household and community interventions included 95% of households given Insecticide treated nets to prevent malaria.
- vi. Over 1 million condoms distributed to prevent sexually transmitted infections including HIV/AIDS.
- vii. 53.6% of women of reproductive age received suitable modern family planning methods of their choices during the period under review.

The main focus of this department will be on expanding surgical and specialized health services, investing in primary health care services and strengthening the overall County Health System to deliver on the expectations of the Universal Health Coverage using a hub and spoke model. This will require investments in completion and modernization the Physical Infrastructure, Human Resources for Health, Health Commodities, Equipment and Information, Communication Technology.

The County Government will initiate an ambitious programme for modernization of Jaramogi Oginga Odinga Teaching and Referral Hospital (JOTRH), building on the facilities improvement programme currently underway at the hospital and working with partners in the health sector. In terms of registration for UHC services, the County plans to achieve enrolment of more than 1 million lives on the programme by the end of the financial year.

In addition, the County will establish an effective referral system from level one (Community) of care to level six hospitals, continue to facilitate the payment of NHIF cover and monthly stipend of 2,720 registered CHVs.

Owing to this, the department will receive the highest allocation of Ksh. **3.29B** in FY 2019/2020.

## **2.7 EDUCATION, ICT AND HUMAN CAPACITY DEVELOPMENT**

The vision of this department is to be a leading service provider in education, training, ICT and social services. The department aims to improve the well-being of Kisumu residents through effective implementation of policy, efficient use of resources and delivery of quality services.

The key achievements in this sector include:

- i. Redesigning of the Old Kisumu County Website which now features Recruitment Management system, Leave Management system and e-tendering System, completion of Tier 1 Data Center at City Hall hosting e-Revenue, the ERP system, the redesigned Website, Mails, and all other Software and Hardware of CGK.
- ii. Setting aside Kshs. 24 Million as Tuition Grant for VTC trainees of Kisumu County. This Grant will defray tuition fees of Kshs. 27,428 per trainee for each of the 875 beneficiary trainees distributed at 25 per ward for each of the 25 wards.
- iii. In the Gender and women Program, we took 90 girls from the 7 sub-counties through Girl child Mentorship Program
- iv. Setting up Kisumu County Youth, Women and PWD Committee to roll out the 2<sup>nd</sup> Phase of Revolving Fund Empowerment Program
- v. Completing Nyang'oma Rehabilitation Center in Muhoroni Sub County to remedy the problem of drugs and alcohol in our society.

The department will therefore focus on:

- i. Stocking social centers at sub-counties with information generated within the sub counties
- ii. Recruitment of ECDE personnel (confirmation of the teachers on contract, recruitment of 300 ECDE teachers, 30 ward advisors and 7 sub county QASOS)
- iii. Completion of gender safe house at Tien'gre and equipping recovery centers in the sub-counties
- iv. Child care development and street children rehabilitation and integration programme
- v. software licensing, operating data center
- vi. Development of the betting bill
- vii. Establishment of 7 model VTCs (partnership with GOK)

The County Government intends to allocate **Ksh. 544.22M** in 2019/20 FY.

## **2.8 ENERGY AND INDUSTRIALIZATION**

This department focuses on promotion of industrialization, rural electrification universal access, diversification of green energy sources and technologies, and mainstreaming climate change in county development.

The main achievements for this sector include: Completion of one cottage industry (rice milling and packaging in Ombeyi), Cost reduction in water pumping by installation of solar hybrid water pump in Kisumu West, enhanced security and 24-hour economy through installation of 4 solar street lights, over 30 high-mast floodlights across the County among others.

This department will embark on enhancement of 24 hours' economy and security through rural electrification, installation of street lighting, floodlights and solar mini grids for powering markets, schools and health facilities, completion of Masogo Nyang'oma Bio-Energy training centre, installation of bio-gas plant for school feeding programme, promotion of ethanol jikos/energy conservation jikos in every ward and completion of Renewable Energy policy. Establishment/completion of regional green energy centre, at least 2 cottage industries, special economic Zone (SEZ) and leather industry.

The department will also initiate partnerships to promote the assembly of fibre glass boats and other marine vessels at the shores of Lake Victoria, treating the lakefront as an extension of the special economic zone.

The County Government therefore intends to allocate **Ksh. 232.47 M** in FY 2019/20.

## **2.9 ROADS, TRANSPORT AND PUBLIC WORKS**

The key role of the department is to develop, operate and sustain transport infrastructure and public works activities that meet the demands and expectations of the citizens.

The achievements for the department during the Financial Year 2017/18 are: Opening of new roads and improvement of existing roads totaling to 342.8km (203.2km funded by KRB and 139.6km funded by CRF). This was done by directorate of roads; provision of technical services in design, planning, documentation and technical supervision for all building works budgeted for in FY2017/2018 in all the other departments in the County. This was done by directorate of Public Works; acquisition of roadwork machinery and use of the same to open new roads and drainages. This was done by the directorate of transport. The directorate also provided technical services in supervision of maintenance of all county vehicles and machinery.

The three key priorities of the department in the FY 2019/20 will be:

- i. Periodic/routine maintenance of existing earth/gravel roads.
- ii. Improvement of selected county roads to Bitumen standards.
- iii. Purchase of roads construction machinery to be used for opening of new roads.

- iv. Initiating implementation of the Kisumu County Roads Maintenance Teams, with the support of the Village Councils;
- v. Inviting partnerships for provision of mass transit solutions in Kisumu City, in preparation for the *Africities* Summit 2021 and the general efficiency of movement in the city;
- vi. Developing a Maritime Transport Policy and beginning its implementation with linkages to current efforts of the national government for revival of maritime transportation and port services in Kisumu.

The County Government will allocate to the department **Ksh. 717.21M** in FY 2019/20.

## **2.10 TOURISM, CULTURE, ARTS, SPORTS AND INFORMATION**

The mandate of the department of Tourism, Culture, Arts, Sports and Information is to develop and market tourism products, harness the culture and arts potential, nurture sports talent, as well as to gather and disseminate information of County programmes and activities to the public.

The key achievements for this sector include:

- i. Upgrading Hippo point public beach by fencing it off to guard against misuse and by constructing decent public washrooms.
- ii. The department facilitating the launch of two new airlines which have significantly increased the traffic flow in and out of Kisumu County. The total number of inbound flights per day is six (6).
- iii. Establishing a resource centre at the County Headquarters in accordance with the Governor's 10-point agenda number 4 and 8 i.e. access to information and use of ICT.
- iv. Establishing a Digital Information Assistant (Application).
- v. Putting up a recording studio purchased an editing suite, published magazine and a documentary on development projects.
- vi. Hosting of the National Cultural Exhibition, hosting an International Movie Premiere (Black Panther), hosting/ facilitating the River Wood Film Awards Festival as well as a number of cultural infrastructural development projects.
- vii. Rehabilitation of sport facilities across the County.
- viii. Initiating grass root sports talent development activities such as the inter-wards football tournament (*Opich Pacho*). The department also hosted a major international youth chess championship.

The strategic objectives for the FY 2019/2020 will include:

- i. Rehabilitation and provision of infrastructural facilities in the Heritage sites across the county and invest an annual County cultural festival as well as support community cultural festivals to conserve culture and market it for tourism.
- ii. Construction of an ultra-modern convention center and a new star rated Hotel in preparation for the Africities Summit scheduled for November 2021.
- iii. Rehabilitation of Moi Stadium and improving other sporting facilities across the County. The department will further focus on grass roots sport talent development targeting the wards
- iv. Provision of accurate, timely and relevant information to county residents up to the village level by establishing and equipping a resource centre at least in one of the Sub Counties as well as equipping the one on 4<sup>th</sup> Floor County Headquarters.
- v. Designing and publishing of County Bi-Annual Magazines, print and circulate weekly newsletters to the Sub Counties
- vi. Development of annual documentary on development projects
- vii. Coordinating local radio programs by scheduling departments to engage and sensitize the public on County development programs
- viii. Developing a communication policy.

The department will be allocated **Ksh. 478.25 M** in FY 2019/20.

## **2.11 GOVERNANCE AND ADMINISTRATION**

This department aims at ensuring efficient and effective service delivery by providing strategic leadership, policy direction and setting the agenda for achieving social, economic and political development of the people of Kisumu County.

The key achievements of this department were establishment of the city Board, setting up of project management committee for all development project, establishment of human resource taskforce and conducting of human resource audit, establishment of village council taskforce and consultancy, conducting of legal audit and establishment of the Special Delivery Unit (SDU). The mission of SDU is to ensure organizational efficiency of the County government for delivery of effective services to County residents. The Unit's programmes aim to maximize delivery of government's top priorities, coordinate and monitor progress of departmental programmes in flagship projects and address emerging implementation issues from the technical and organizational perspectives.

The strategic objectives in FY 2019/20 will be:

- i. Construction of County Administrative units;
- ii. Ensuring service delivery by all County departments;
- iii. Driving the Blue Economy Framework for County planning, budgeting and resource mobilization;
- iv. Establishment of the Kisumu Economic and Social Council (KECOSOC) as a high-level advisory and resource mobilization body for the County Government of Kisumu;
- v. Strengthening Monitoring and Evaluation (M&E) of the flagship projects while driving implementation of new programme initiatives outside departmental work plans;
- vi. Strengthening Performance Management and results-orientation across departments;, Coordinating disaster and emergency responses as special programmes;
- vii. Establishment of the County Public-Private Partnership (PPP) Node and coordinating its activities in processing PPP projects across departments;
- viii. Strengthening devolution up to the village level through operationalization of the village councils.

The department will be allocated Ksh **590.6M** in FY 2019/2020.

## **2.12 COUNTY ASSEMBLY**

Article 185 of the Constitution provides for the legislative authority of the County Assemblies, vesting the legislative authority of a County and the exercise of that authority in its County Assembly. The Assembly has powers to make any laws that are necessary for, or incidental to, the effective performance of the functions and exercise of the powers of the County Government under the fourth schedule.

County Assemblies are expected to conduct an oversight of the County Government, which has been expanded greatly, with extended control over critical County process such as Budgeting process, public expenditure, public appointments and governance.

The Assembly also receives plans and policies for the management and exploitation of the County's resources and the development and management of its infrastructure and institutions.

The department will be allocated Ksh **770.33M** in FY 2019/2020.

## **2.13 CITY OF KISUMU**

The vision of this sector is to be the leading city in providing quality services matched by superior solutions and hence creating an enabling environment for investments in Kenya and the great lakes region with an aim of improving the quality of life for the residents of Kisumu.

Key achievements for the City of Kisumu in the FY 2017/18 include: Evacuation of Ka-chalk dumpsite, marking of roads within the CBD, beatification of CBD – Pavement along Oginga Odinga Street and Achieng’ Oneko Avenue, completion of Boundary Wall at Kosawo Social Centre, rehabilitation of drainages at Moi Stadium, Kenyatta Sports ground fencing, renovation of City Hall, opening drainages in the 14 City Wards, renovation of two big institutional houses and purchase of uniforms for Inspectorate Department. Under KUP, the City refurbished Social Centre and Lumumba Hospital, constructed Kakoth bridge, ensured delivery of the data centre and completion of five (KUP) schools.

The sector’s priorities in the FY 2019/20 are: modernization of markets within the city, maintenance of city roads, installation of storm water drainage facilities and installation of traffic lights and surveillance cameras.

The department will be allocated Ksh **988.69M** in FY 2019/2020.

## **2.14 COUNTY PUBLIC SERVICE BOARD**

Kisumu County Public Service Board (PSB) is an independent institution established in terms of Article 235(1) of the Kenyan Constitution and given effect by Sections 56 and 57 of the County Governments Act. The Article provides for a County Public Service Board in each county with control over the County Public Service. The County Public Service Board has the responsibility of ensuring that the County Public Service has adequate, skilled and competent personnel.

The board operated without a secretariat to support its activities in the FY 2017/18.

In the FY 2019/20, the strategy of the board will focus on the following seven broad areas in order to counter the challenges faced in the previous FY:

- i. Strengthening the institutional capacity of the Board
- ii. Strengthening the County Public Service for improved service delivery
- iii. Enhancing productivity of the County Public Service
- iv. Promoting an enabling policy environment
- v. Enhancing public participation and information sharing
- vi. Promoting public service values and best management practices in the county
- vii. Promoting effective working relationships with county and relevant national government organs

The department will be allocated Ksh **61.82M** in FY 2019/2020.



**CHAPTER THREE**  
**RECENT ECONOMIC DEVELOPMENTS AND POLICY**  
**OUTLOOK**

### **3.1 Overview**

Economic activities picked up in 2018, after the slowdown in 2017, reflecting improved rains, better business sentiment and easing of political uncertainty. The economy grew by 5.8 percent, 6.2 percent and 6.0 percent in the first, second and third quarters of 2018 respectively, up from 4.7 percent in similar quarters in 2017. Growth for the first three quarters of 2018 averaged 6.0 percent and is projected to grow by 6.0 percent in 2018 up from 4.9 percent in 2017. This growth is supported by a strong rebound in agricultural output, steadily recovering industrial activity, and robust performance in the services sector.

The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate to support exports.

Month-on-month overall inflation remained stable and within target at 5.7 percent in December 2018 from 5.6 percent in November 2018, largely on account of low food prices following favorable weather conditions and a decline in energy prices due to lower prices of electricity and diesel. However, overall inflation increased from 4.5 percent in December 2017 to 5.7 percent in December 2018 on account of an increase in international oil prices.

The foreign exchange market remains stable supported by a continued narrowing in the current account deficit. The current account deficit is expected to narrow to 5.2 percent of GDP in 2018 from 6.3 percent in 2017, with strong performance of agricultural exports particularly tea and horticulture, increased Diaspora remittances, strong receipts from tourism, and lower imports of food and Standard Gauge Railway (SGR) related equipment relative to 2017.

Over the medium term, economic growth is expected to rise gradually to 7.0 percent per annum due to investments in strategic areas under the “Big Four” Plan that aim to increase job creation through the manufacturing sector, ensure food security and improved nutrition, achieve universal health coverage and provide affordable houses to Kenyans. These efforts will support the business environment, create jobs and ultimately promote broad based inclusive growth.

Kenya continues to be ranked favorably in the ease of doing business and as a top investment destination. In the 2019 World Bank’s Doing Business Report, Kenya was ranked position 61 in 2018 moving 19 places from position 80 in 2017.

## **3.2 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK**

### **3.2.1 GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS**

Global growth is projected to remain steady and grow by 3.7 percent in 2018 and 2019. This is expected to be driven by the recently announced trade measures, including the tariffs imposed on US imports from China.

**Table 1: Global Economic Growth**

REGION/COUNTRY	Actual	Estimated	Projected
	2017	2018	2019
World	3.7	3.7	3.7
Advanced Economies	2.3	2.4	2.1
Of which: USA	2.2	2.9	2.5
Emerging and Developing Economies	4.7	4.7	4.7
Of which: China	6.9	6.6	6.2
India	6.7	7.3	7.4
Sub-Saharan Africa	2.7	3.1	3.8
Of which: South Africa	1.3	0.8	1.4
Nigeria	0.8	1.9	2.3
EAC-5	5.3	5.9	6.3
Of which: Kenya	4.9	6.0*	6.2*

*EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda*

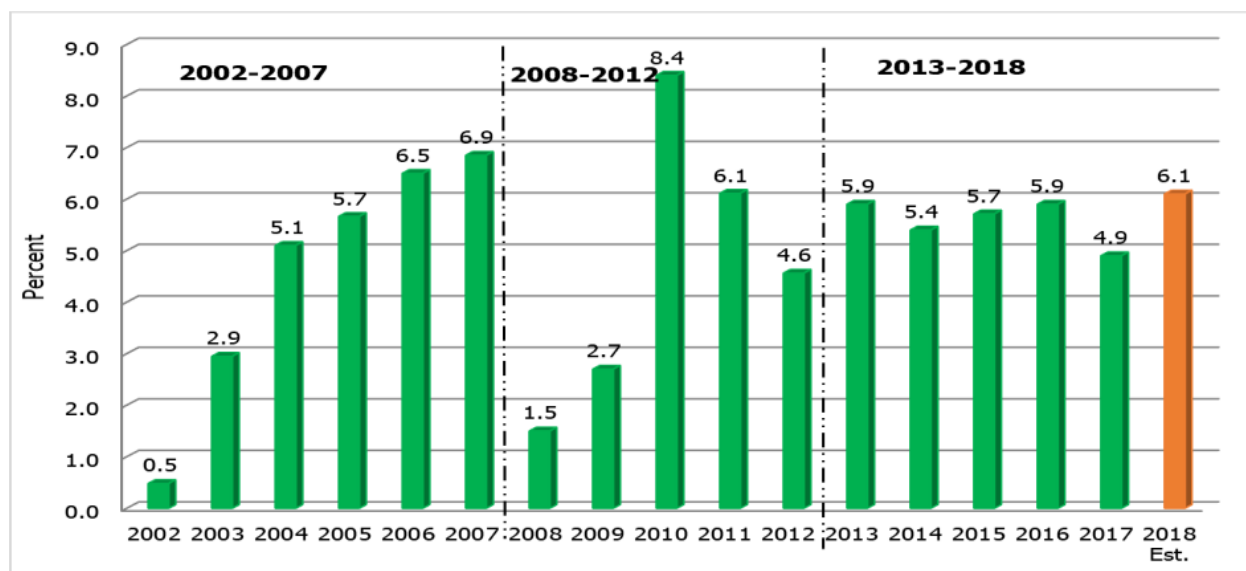
**Source:** *October 2018 WEO; \*Projections by the National Treasury*

The economic growth of East African Community (EAC) region in 2019 is projected to increase to 6.4 percent supported by a stable macroeconomic environment, ongoing infrastructure investments and strong private consumption. In Kisumu County, the growth is expected to be driven by sound political environment, establishment of the Lake Region Economic Block, stable interest rates, and infrastructure projects like rehabilitation of Kisumu port, SGR, Ahero Interchange and Kenya Pipeline Oil Jetty in Kisumu-Lake Victoria.

### **3.2.2 DOMESTIC ECONOMIC DEVELOPMENTS**

Kenya's economic growth has remained strong and resilient at an average of 5.6 percent for the last five years outperforming the average growth rate of 4.7 percent in the period 2008 to 2012 supported by strong public and private sector investment and appropriate economic and financial policies.

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



*Source of Data: Kenya National Bureau of Statistics*

**Table 2: Sectoral Real GDP Growth Rates, Percent**

	2013	2014	2015	2016	2017	2018Q1	2018Q2	2018Q3
<b>Primary sector</b>	5.0	4.8	5.6	4.9	1.8	5.3	5.3	5.4
Of which: Agriculture	5.4	4.4	5.3	4.7	1.6	5.3	5.4	5.2
Mining	-4.2	14.9	12.3	9.5	6.1	4.5	3.5	8.5
<b>Industry</b>	5.9	5.6	7.0	5.5	3.4	4.1	4.8	5.1
Of which: Manufacturing	5.6	2.5	3.6	2.7	0.2	2.3	3.1	3.2
Electricity and Water supply	6.6	6.1	8.5	8.3	5.6	5.1	8.6	8.5
Construction	6.1	13.1	13.8	9.8	8.6	7.2	6.1	6.8
<b>Services</b>	5.4	6.3	6.4	6.5	6.2	6.4	6.7	5.9
Of which: Wholesale and Retail trade	8.4	6.9	5.9	3.4	5.8	6.2	7.7	6.8
Accommodation and Restaurant	-4.6	-16.7	-1.3	13.3	14.7	13.5	15.7	16.0
Transport and Storage	1.3	5.5	8.0	7.8	7.4	7.1	7.8	5.4
Information and Communication	12.5	14.5	7.4	9.7	11.0	12.0	12.6	9.1
Financial and Insurance	8.2	8.3	9.4	6.7	3.1	2.6	2.3	2.6
Real estate	4.1	5.6	7.2	8.8	6.1	6.8	6.6	5.8
<b>GDP Growth</b>	5.9	5.4	5.7	5.9	4.9	5.8	6.2	6.0
Of which: Non agricultural GDP	5.4	6.1	6.4	6.4	5.9	6.0	6.3	5.8

*Source of Data: Kenya National Bureau of Statistics*

The average growth in the third quarter of 2018 was 6.0 percent from 4.7 percent in a similar quarter in 2017, mainly supported by improved weather conditions which led to increased agricultural production and agro-processing activities in manufacturing sector. In Kisumu

County this was supported by activities such as revival of EABL was to provide about 100,000 both direct and indirect jobs. The brewery — which started producing keg beer on small scale — targeted Sorghum farmers in Kisumu, Siaya, Migori, and as far afield as Nyeri, Machakos and Tharaka Nithi Counties. Apart from the brewery, dairy project were activated providing cooling plants and veterinary services to the County aiming for results within the next five years and desiltation of Irrigation Schemes which have alleviated inherent limitations of rain-fed agriculture.

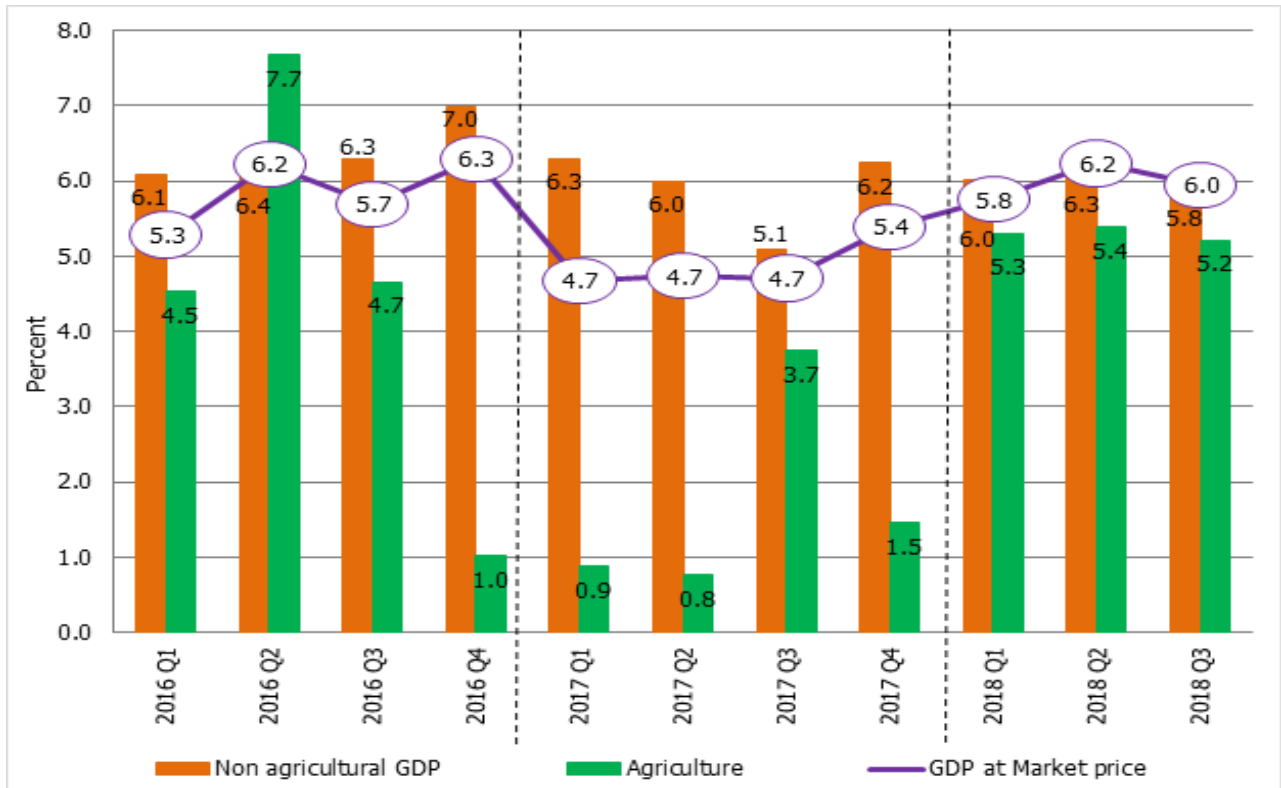
The Non-agricultural sector (service and industry) remained vibrant and grew by 5.8 percent in the third quarter of 2018 up from a growth of 5.1 percent in a similar quarter in 2017.

Services remained the main source of growth supported by improved growth in accommodation and restaurant (16.0 percent), wholesale and retail trade (6.8 percent), transport and storage (5.4 percent) and financial and insurance (2.6 percent), growth of activities in information and communication (9.1 percent) and real estate (5.8 percent) remained vibrant despite the slowdown relative to the same quarter in 2017.

One service industry that appears to have heeded this call in Kisumu County is Tourism, Culture Arts and Sports. New and modern hotels and lake resorts that have been constructed in the past few years, coupled with cultural festivals that have been organized such as Fish Fiesta celebrations, Cultural festival and inter-county sports that are held in 2018. This boosts the County as a one stop destination for tourists in the western circuit.

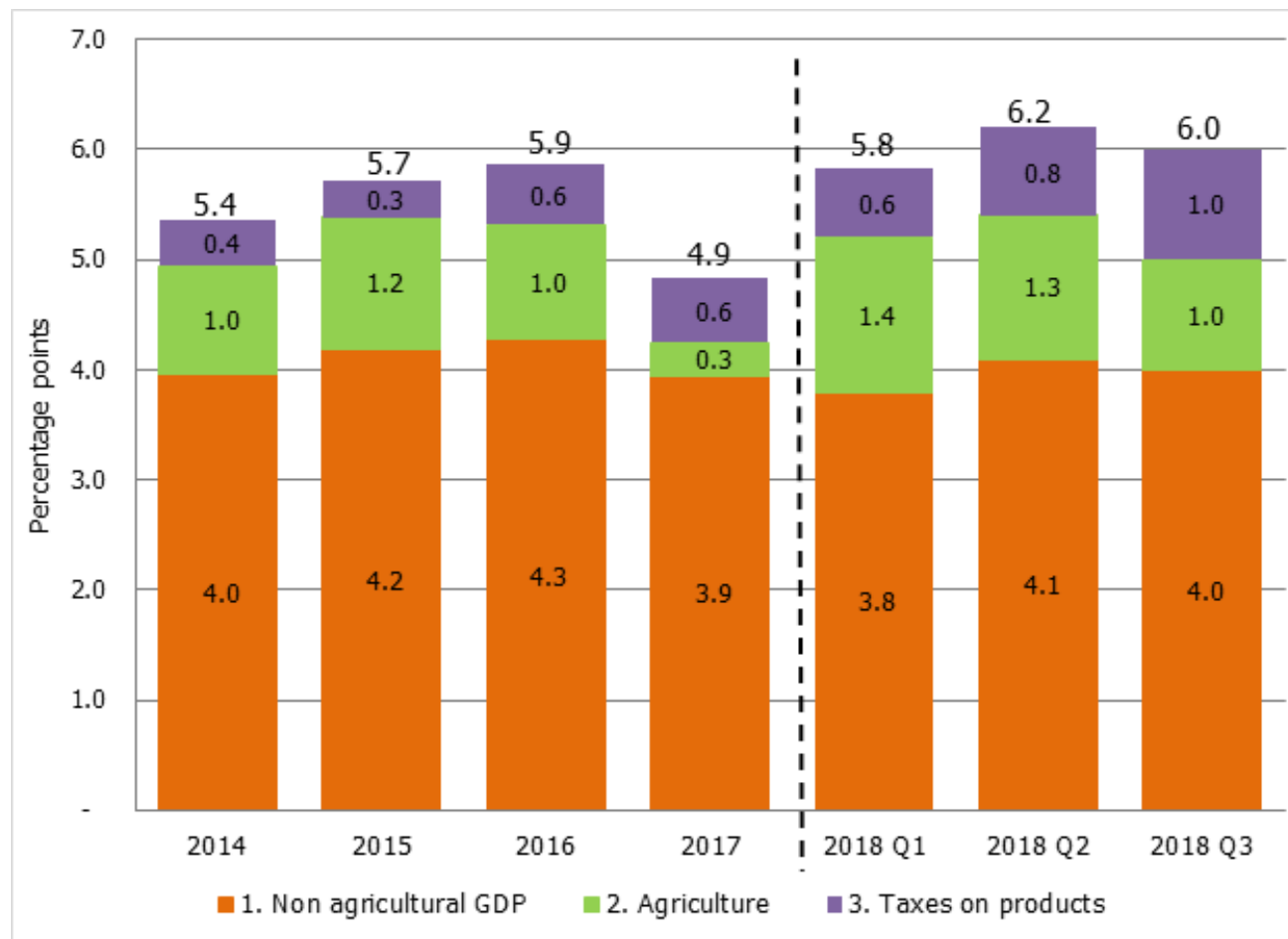
The growth in the County has also been spurred by improved road and transport networks such as Kisumu-Kakamega highway, Nairobi-Kisumu highway and renovation and construction of new roads within the County which has opened up the County for economic activities. There has been development of water resources resulting in improved supply for consumption and industrial production.

**Figure 2: Economic Performance (Percent Growth Rates)**



*Source of Data: Kenya National Bureau of Statistics*

**Table 3: Contributions by Activities to GDP Growth**



*Source of data: Kenya National Bureau of Statistics*

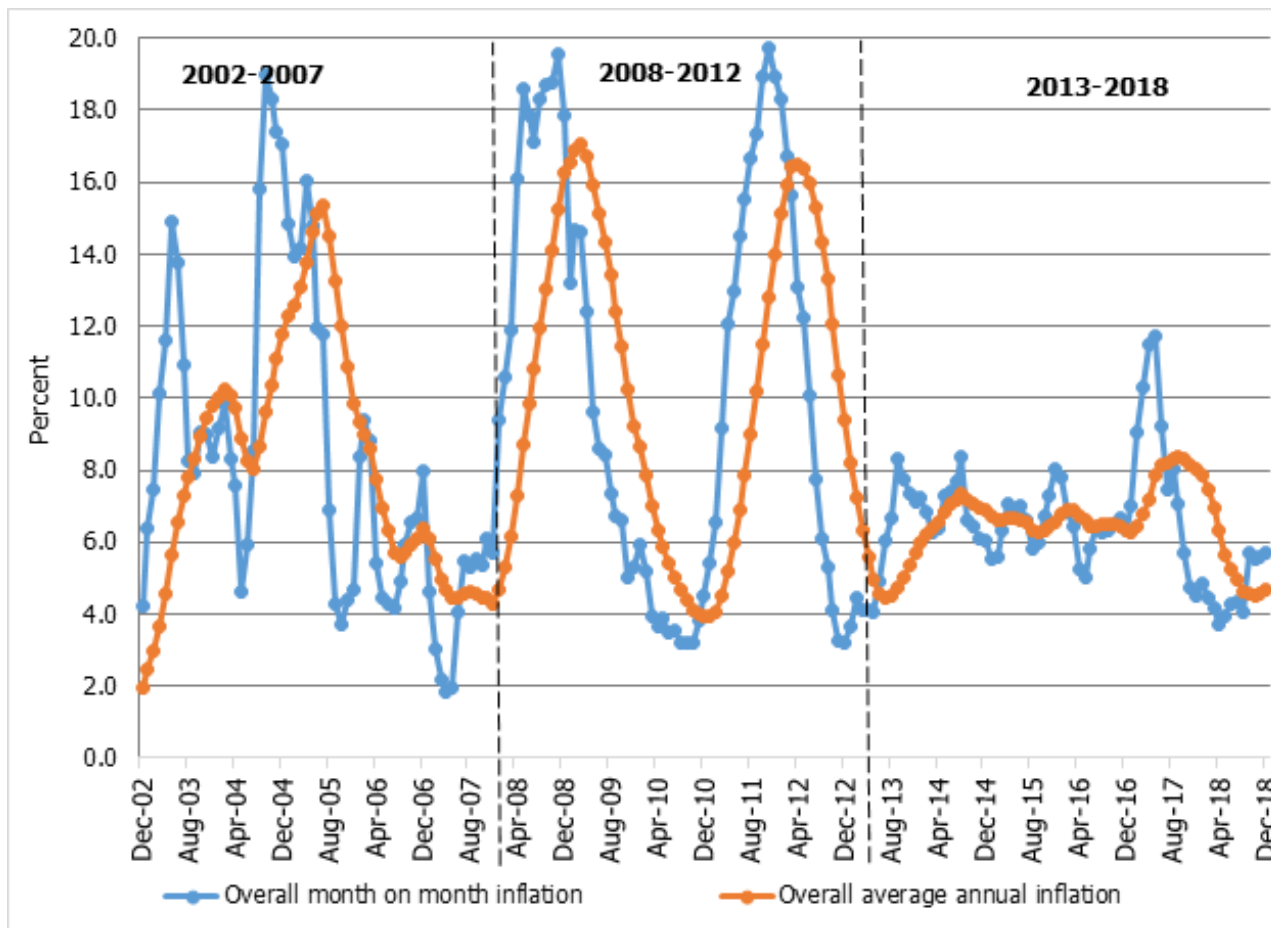
### 3.2.3 INFLATION RATE

Inflation rate was highly volatile in the period 2008-2012 and averaged 10.6 percent compared to the period 2003-2007 when it averaged 8.5 percent. The sharp increase in inflation rate in the year 2008 to 2010 was occasioned by internal shocks (post-elections disruptions and unfavorable weather conditions) and external shocks (high crude oil prices and global financial crisis). The tightening of monetary policy, together with an easing in global food and fuel prices, saw the levels of inflation come under control in 2012.

Inflation has been low, stable and within the Government target range of 5+/-2.5 percent in the period 2013 to 2018 (averaging 6.4 percent) as a result of prudent monetary and fiscal policies. The low and stable inflation in Country, specifically within the county is therefore expected to

lead to more investments in SMEs and reduced cost of agricultural production. The standards of living are also expected to improve as a result of increase in purchasing power.

**Figure 3: Inflation Rate**



*Source of Data: Kenya National Bureau of Statistics*

### 3.2.4 KENYA SHILLING EXCHANGE RATE

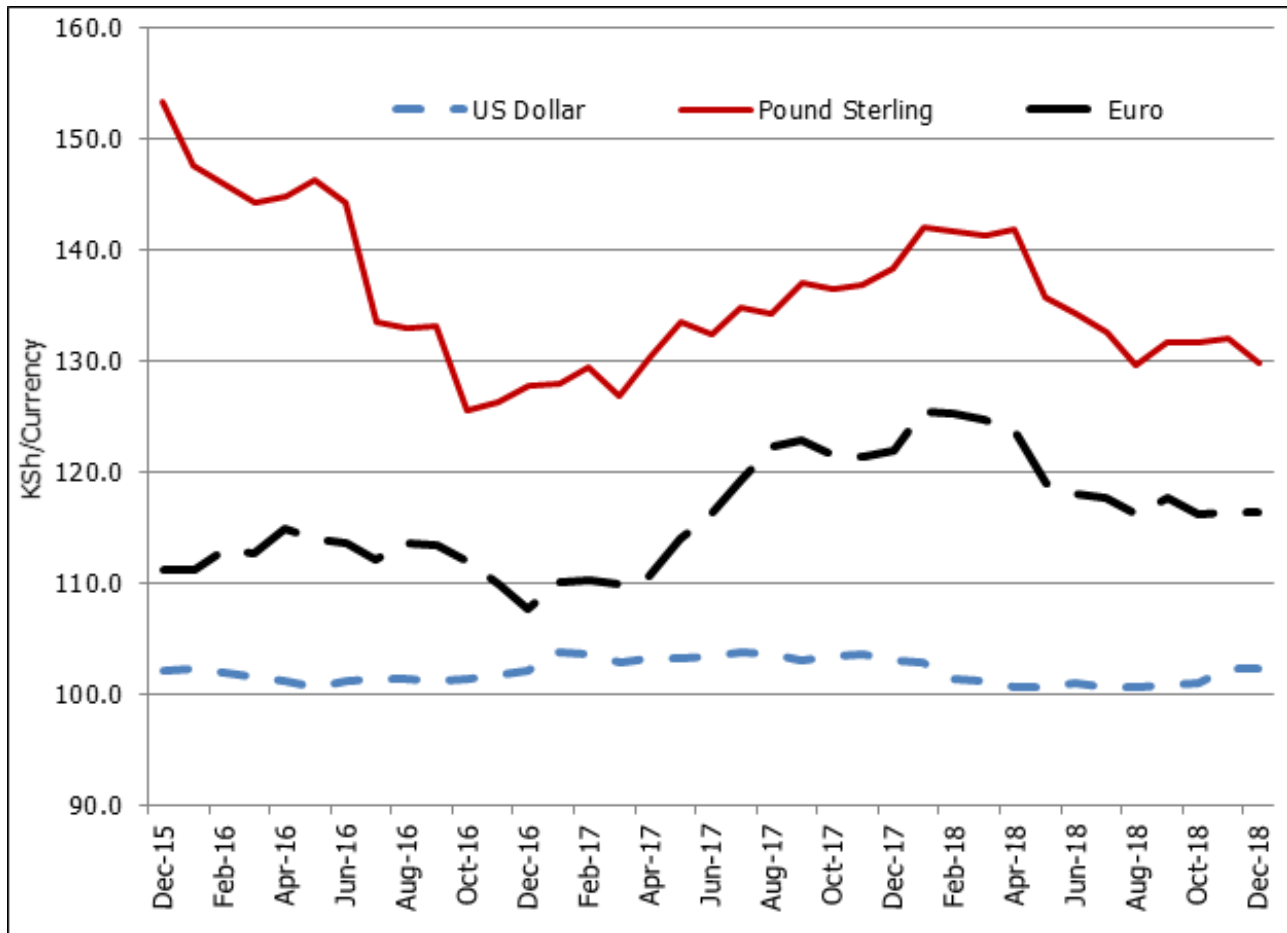
The Kenya Shilling exchange rate remained broadly stable and competitive against major international currencies. Against the dollar, the exchange rate has been relatively less volatile exchanging at Ksh 102.3 in December 2018 from Ksh 103.1 in December 2017. Against the Euro and the Sterling pound, the Shilling also strengthened to Ksh 116.4 and Ksh 129.7 in December 2018 from Ksh 122.0 and Ksh 138.2 in December 2017, respectively.

The Kenyan Shilling was weaker against the major international currencies in 2017 due to drought that led to a reduction in agricultural exports which resulted in adverse balance of trade hence fall in value in the Kenyan Shilling against major currencies. This however stabilized in



2018 due to improved weather conditions resulting in increased exports and subsequently stabilizing inflation.

**Figure 4: Kenya Shilling Exchange Rate**



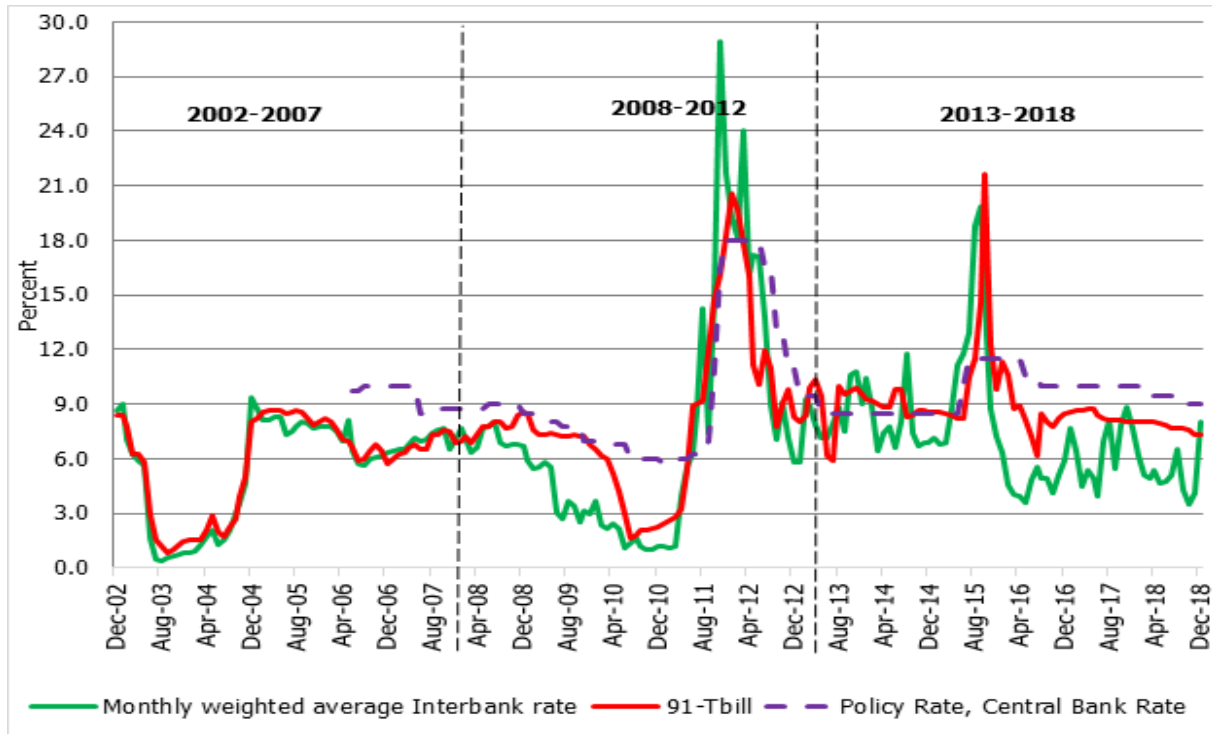
Source of Data: Central Bank of Kenya

### 3.2.5 INTEREST RATES

Interest rates have been low and stable for the period 2002 to 2011 due to ample liquidity in the money market. However, interest rates increased in 2012 following tight monetary policy stance in order to ease inflationary pressures. Interest rates remained stable and low in the period 2013-2018 except June –December 2015 when world currencies were under pressure. During the period, the policy rate (Central Bank Rate) was adjusted appropriately to anchor inflation expectations. The Central Bank Rate was reduced to 9.0 percent on 30<sup>th</sup> July 2018 from 9.5 percent in March 2018 as there was room for easing monetary policy stance to support economic activity. This reduction in cost of borrowing is expected to result in increased economic

activities in the County, in Kisumu County this is expected to result in growth of businesses and small-scale industries like JuaKali and small-scale retail.

**Figure 5: Short-Term Interest Rates**



*Source of Data: Central Bank of Kenya*

### 3.2.6 MONEY AND CREDIT

Money Supply, M3, increased to a growth of 9.1 percent in the year to October 2018 compared to a growth of 7.2 percent to October 2017. This was due to the increase in Net Government and Private Sector Expenditure, the net foreign assets (NFA) of the banking sector despite a slowdown in the growth of net domestic assets (NDA) of the banking system. The decline in growth of NDA was largely reflected in the decrease in net domestic credit to Government.

Net Foreign Assets (NFA) of the banking system in 2018 grew by 22.3 percent largely supported by Government external borrowing and increase in commercial banks foreign assets mostly in form of deposits and securities purchased.

This increase in money supply is expected to result in increased investment and consumption in Kisumu County and lastly in increased employment opportunities for the youth.

**Table 4: Money Supply and Credit, Ksh billion**

	2016	2017	2018	Absolute Change		percent change	
				2016-2017	2017-2018	12 months to	12 months to
	OCT	OCT	OCT	OCT	OCT	Oct-17	Oct-18
<b>Money supply, M3 (1+2)</b>	<b>2,800.0</b>	<b>3,000.2</b>	<b>3,273.0</b>	<b>200.2</b>	<b>272.8</b>	<b>7.2</b>	<b>9.1</b>
<b>1. Net foreign assets (1.1+1.2)</b>	<b>572.4</b>	<b>559.2</b>	<b>683.9</b>	<b>-13.2</b>	<b>124.7</b>	<b>-2.3</b>	<b>22.3</b>
1.1 Central Bank	678.3	649.5	748.9	-28.8	99.4	-4.2	15.3
1.2 Banking Institutions	-105.9	-90.3	-65.0	15.6	25.3	-14.7	-28.0
<b>2. Net domestic assets (2.1+2.2)</b>	<b>2,227.6</b>	<b>2,441.0</b>	<b>2,589.1</b>	<b>213.4</b>	<b>148.1</b>	<b>9.6</b>	<b>6.1</b>
<b>2.1 Domestic credit (2.1.1+2.1.2+2.1.3)</b>	<b>2,923.4</b>	<b>3,148.9</b>	<b>3,368.7</b>	<b>225.5</b>	<b>219.8</b>	<b>7.7</b>	<b>7.0</b>
2.1.1 Government (net)	562.2	716.3	840.7	154.2	124.4	27.4	17.4
2.1.2 Other public sector	96.0	112.7	105.6	16.7	-7.1	17.4	-6.3
2.1.3 Private sector	2,265.2	2,319.9	2,422.4	54.6	102.6	2.4	4.4
<b>2.2 Other assets net</b>	<b>-695.8</b>	<b>-707.9</b>	<b>-779.6</b>	<b>-12.1</b>	<b>-71.7</b>	<b>1.7</b>	<b>10.1</b>

*Source of Data: Central Bank of Kenya*

### 3.2.7 BALANCE OF PAYMENTS

The overall balance of payments position was at a deficit of US\$ 1,333.9 million (1.4 percent of GDP) in the year to October 2018 from a surplus of US\$ 490.5 million (0.6 percent of GDP) in the year to October 2017. This was due to a decline in the financial account despite an improvement in the capital and current accounts.

**Table 5: Balance of Payments**

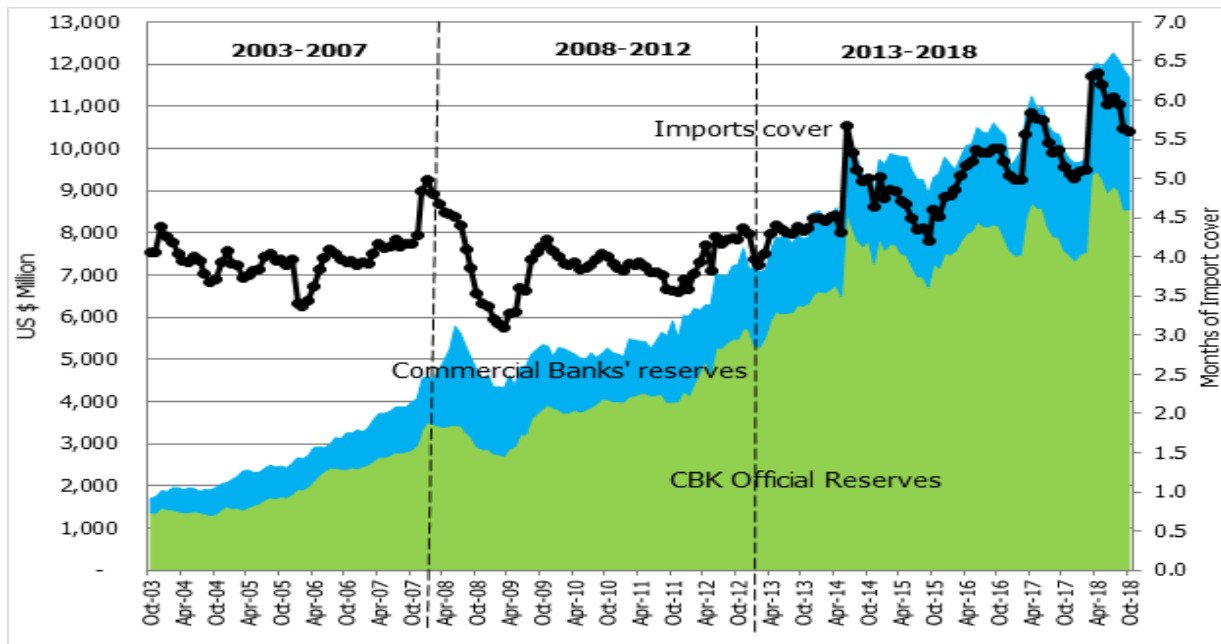
	Oct-17	Dec-17	Mar-18	Jun-18	Sep-18	Oct-18	Year to October 2018	
							Absolute Change	% Change
<b>Overall Balance</b>	<b>490.5</b>	<b>157.3</b>	<b>-1,054.3</b>	<b>-496.6</b>	<b>-775.1</b>	<b>-1,333.9</b>	<b>-1,824.4</b>	<b>-371.9</b>
<b>Current Account</b>	<b>-5,141.8</b>	<b>-5,016.4</b>	<b>-5,082.7</b>	<b>-5,082.7</b>	<b>-4,751.4</b>	<b>-4,660.6</b>	<b>481.2</b>	<b>-9.4</b>
<i>of which: Merchandise account (a-b)</i>	<i>-9,980.0</i>	<i>-10,201.5</i>	<i>-10,184.5</i>	<i>-10,467.0</i>	<i>-10,279.3</i>	<i>-10,244.4</i>	<i>-264.4</i>	<i>2.6</i>
a) Goods: exports.	5,767.7	5,792.4	5,922.2	6,052.6	6,145.5	6,177.7	410.1	7.1
b) Goods: imports.	15,747.6	15,993.9	16,106.6	16,519.7	16,424.8	16,422.1	674.5	4.3
Services: credit	4,518.6	4,651.1	4,710.7	4,896.9	5,091.6	5,269.1	750.5	16.6
Services: debit	3,051.6	3,093.3	3,330.2	3,508.3	3,577.2	3,656.9	605.4	19.8
<i>Balance on goods and services</i>	<i>-8,512.9</i>	<i>-8,643.7</i>	<i>-8,804.0</i>	<i>-9,078.4</i>	<i>-8,764.9</i>	<i>-8,632.2</i>	<i>-119.3</i>	<i>1.4</i>
Primary income: credit	404.6	398.7	422.0	479.2	526.1	543.7	139.0	34.4
Primary income: debit	1,189.2	1,219.5	1,263.0	1,344.7	1,437.4	1,520.2	331.0	27.8
<i>Balance on goods, services &amp; primary income</i>	<i>-9,297.5</i>	<i>-9,464.5</i>	<i>-9,645.1</i>	<i>-9,943.9</i>	<i>-9,676.2</i>	<i>-9,608.7</i>	<i>-311.2</i>	<i>3.3</i>
Secondary income: credit	4,207.7	4,504.1	4,614.7	4,913.2	4,976.4	4,998.9	791.2	18.8
Secondary income: debit	52.0	55.9	52.3	52.0	51.6	50.8	-1.2	-2.4
<b>Capital Account</b>	<b>161.8</b>	<b>184.6</b>	<b>187.8</b>	<b>258.7</b>	<b>304.0</b>	<b>300.6</b>	<b>138.7</b>	<b>85.7</b>
<b>Financial Account</b>	<b>-5,750.0</b>	<b>-4,606.1</b>	<b>-5,682.2</b>	<b>-4,636.8</b>	<b>-5,312.1</b>	<b>-5,526.4</b>	<b>223.6</b>	<b>-3.9</b>

*Source of Data: Central Bank of Kenya*

### 3.2.8 FOREIGN EXCHANGE RESERVES

Foreign exchange reserves have increased from around 3.0 months of import cover in 2003 to above 5.5 months of import cover in 2018 which is above the statutory requirement of 4.0 months of import cover and thus remain adequate to safeguard against exogenous shocks.

**Figure 6: Official Foreign Exchange Reserves (US\$ million)**



*Source of Data: Central Bank of Kenya*

### 3.2.9 NAIROBI SECURITIES EXCHANGE

Activity in the capital market slowed down with equity share prices declining as shown by the NSE 20 Share Index. The NSE 20 Share Index was at 2,834 points by end- December 2018 from 3,712 points in December 2017. The depressed share prices resulted in lower market capitalization of Ksh 2,102 billion in December 2018 from Ksh 2,522 billion in December 2017. The decline reflects trends in the global equities markets as investors shift to bond markets in expectation for a further hike in the U.S. interest rates on strong jobs and economic data.

**CHAPTER FOUR**  
**FISCAL POLICY AND BUDGET FRAMEWORK**

## 4.0 INTRODUCTION

The 2019/20 Kisumu CFSP will be implemented as we focus on strengthening the government service delivery and performance management system. The County government will continue targeting creation of conducive business environment for investment, job creation and infrastructure development to deliver on the development agenda. The key priority areas will therefore be:

- i. Revitalize agriculture for food security and agribusiness;
- ii. Ensure a healthy population living in a clean environment;
- iii. Build modern physical infrastructure;
- iv. Promote skills development and innovation;
- v. Conserve the environment while opening the Kisumu lakefront for business;
- vi. Provide decent housing in inclusive towns, semi-urban centres and villages;
- vii. Promote sports, culture and the arts;
- viii. Promote industrialization and a vibrant service sector, supported by sustainable energy sources and information and communication technologies;
- ix. Promote tourism driven by culture and heritage as well as new products;
- x. Deepen the structures of devolved governance and strengthen revenue generation and accountability in use of public funds

Beginning in the financial year 2019/2020, the County of Government of Kisumu will adopt the Blue Economy Framework for development planning. This framework establishes the linkages between agriculture, infrastructure, industry, health, education and other social services as well as innovation and industrialization that harness economic potential in regions near water bodies. The Office of the Governor is coordinating the development of the *Kisumu County Strategy for Harnessing the Blue Economy for Sustainable Socio-Economic Development*.

The County Government has projected to raise **Ksh 10.03B** in the FY 2019/2020 to finance its programmes in order to achieve the above objectives. The funds will be allocated as categorized below:

- i. Personnel Emoluments will be 42%
- ii. Development Expenditure will be at 35%
- iii. Operation and Maintenance Expenditure will be 23%

In addition, the County Government will;

- i. In line with the PFM regulations 2015, borrowing will be restricted to fund development expenditure. The County Government of Kisumu since inception has not resorted to short term borrowing to fund its recurrent expenditure and this shall be maintained
- ii. Increased engagement with the donor community to fund some programmes and also fast track development of PPP policy
- iii. Prudent fiscal risk management. The government will continuously make reference to the national macro-economic forecasts and projections to gauge its implications to the budget
- iv. Strict adherence to the CRA, SRC and Controller of budget guide lines

#### **4.1 FISCAL STRUCTURAL REFORMS**

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

- i. Enhancing revenue mobilization; by finalizing revenue automation project through system integration, networking and acquisition of relevant equipment e.g. POS machines and computers. Finally enhancing enforcement mechanisms, identification of new revenue streams and improvement of service delivery
- ii. Expenditure rationalization by finalizing and subsequent implementation of staff rationalization report.
- iii. Expenditure efficiency and effective implementation of budget programs; Continuous implementation of e-procurement, embrace internet banking and preparation of budget through IFMIS.
- iv. Training, roll out and use of financial operations process manual.
- v. Implementation of expenditure containment and rationalization to ensure efficiency in resource allocation and expenditure.
- vi. Realizing Value-for-Money in County development programmes by Strengthening Monitoring and Evaluation (M&E) and Performance Management.
- vii. Improving the quality of government strategy and policy by enlisting high-level advisory services.

#### **4.2 SECTOR PRIORITIES**

##### **4.2.1 AGRICULTURE, IRRIGATION, LIVESTOCK AND FISHERIES**

The sector has the fourth largest allocation on PE vote at 5.82 percent this is mainly attributed to the extension services staff. The development vote increased marginally from 5.80 percent to 8.05 percent to enhance dairy production, identification of high value crops and conducting farm demonstrations. Reclamation of Mboha and Nyamthoe irrigation projects will also be given priorities.

#### **4.2.2 FINANCE AND ECONOMIC PLANNING**

The sector's allocation on development vote is at 8.30 percent. The operations and maintenance vote is at 8.67 percent. The development projects in the directorate of finance will be completion of revenue automation and audit processes.

The directorate of Economic planning will focus on operationalization of the CIMES, monitoring and evaluation policy, CIDP II mid-term review and completion of the Sub Counties planning and documentation centers.

#### **4.2.3 ENERGY AND INDUSTRIALIZATION**

The Sector's PE, operation and maintenance votes are at 0.43 percent and 3.48 percent respectively. However, development allocation will be at 3.82%.

#### **4.2.4 LANDS, HOUSING, PHYSICAL PLANNING AND URBAN DEVELOPMENT**

The sector's PE vote is at 0.62 percent. Development vote has been increased from 6.10 percent to 9.88 percent. The increase has been attributed to the need for acquisition of more land in the land bank for more development.

#### **4.2.5 ENVIRONMENT, WATER AND NATURAL RESOURCES**

The sector's development vote account is the second highest at 10.86 percent from 7.93 percent. The increased development allocation has been necessitated by the Governor's commitment to provide clean and safe water to all homesteads through extending the water pipe network by at least 47Km. The O&M will be maintained at 4.0 percent.

#### **4.2.6 HEALTH AND SANITATION**

The sector's vote on personnel emoluments is set at 54.5 percent, operation and maintenance is now at 30.03 percent. Development vote has increased from 6.10 percent to 8.69 percent. This is occasioned by the plan for modernization of the health care infrastructure to expand the breadth and depth of health care services, investment in high impact primary health care services and the implementation of the Universal Health Care Coverage.

#### **4.2.6 EDUCATION, ICT AND HUMAN CAPACITY DEVELOPMENT**

The Governor's manifesto places great emphasis on the link between education and training and the labour market, the need to create entrepreneurial skills and competencies, mainstreaming natural values in education and training and strong public and private partnerships. The need to address issues related to access, equity, quality, relevance, curriculum, teacher development and management as well as trainers in the areas of technology and entrepreneurial skill development is important. Development vote of the sector has increased to 8.78 percent from 7.61 percent. This can be attributed to completion of ECDE classrooms across the County. The PE vote has been set at 2.86 percent. The operations and maintenance is set at 5.01 percent. The school feeding programme for the ECDE still remains a priority for the County.



#### **4.2.7 BUSINESS, CO-OPERATIVES AND MARKETING**

The Sector's PE, operation and maintenance votes are at 0.43 percent and 1.16 percent respectively. However, development allocation will be at 3.68 percent. This will be due to the focus on the establishment of business innovation and incubation centers as well as construction of modern markets in some selected areas.

#### **4.2.8 ROADS, TRANSPORT AND PUBLIC WORKS**

The County will continue with the road construction and maintenance programmes. The County will also focus on provision of mechanical services as well as finalizing the County policy on road maintenance for subsequent implementation. The sector's PE vote has been set at 1.77 percent; O&M is at 4.35 percent. The development vote has been increased from 12.98 to 15.45 percent. This will be shared among the three directorates of Roads, public works and transport.

#### **4.2.9 TOURISM, SPORTS, ARTS AND CULTURE**

The sector will implement through PPP, rehabilitation and provision of infrastructural facilities in the Heritage sites across the county, Construction of an ultra-modern convention center, rehabilitation of Moi Stadium, and improving other sporting facilities across the County, establishing and equipping a resource centre at least in one of the Sub Counties, designing and publishing of County Bi-Annual Magazines, developing a communication policy and identification and development of talents amongst the County youth in sports.

The PE vote has increased from 0.37 percent to 0.72 percent, development vote has been increased from 3.05 percent to 10.75 percent while the operations and maintenance vote has been retained at 3.06 percent.

#### **4.2.10 GOVERNANCE AND ADMINISTRATION**

The key priorities for this sector will be construction, leasing and renovation of Sub-County, ward offices and village offices, appointment of village administrator, composition of village councils and trainings, phase two of the construction of the governor's house and purchase and installation of a system for human resource management.

The sector has maintained the PE vote has reduced from 5.77 percent to 5.30 percent. The development vote is at 3.71 percent while operations and maintenance is at 10.28 percent.

#### **4.2.11 COUNTY ASSEMBLY**

The operation and maintenance allocation to the assembly is at 20.96 percent. The allocation is to facilitate the operations of various house committees in their role of oversight, legislature and representation.

#### **4.2.12 CITY OF KISUMU**

The sector's priorities during the plan period will be modernization of markets, rehabilitation and maintenance of roads, installation of storm water drainage, installation of traffic lights and surveillance cameras within the city. The sector's PE vote reduced from 15.84 percent to 14.59 percent. The department has been allocated 8.03 percent for development.

#### **4.2.13 COUNTY PUBLIC SERVICE BOARD**

The sector's priorities for this plan period will be: strengthening the County Public Service for improved service delivery, enhancing productivity of the County Public Service, promoting an enabling policy environment, enhancing public participation and information sharing, promoting public service values and best management practices in the county, promoting effective working relationships with county and relevant national government organs.

The sector consumes the smallest share of the total budget at 0.62 percent. The O&M has been retained at 1 percent. The PE vote has remained at 0.92 percent.

### **4.3 RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE ALLOCATION**

#### **4.3.1 DETERMINATION OF RESOURCE ENVELOPE**

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

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

The County's share of the National revenue which includes equitable share and conditional loans and grants from the National government is projected at **Kshs. 8.55B** in FY 2019/20 while the total revenue is projected at **Ksh 10.03B** in FY 2019/2020. The total revenue includes the County's share of national revenue as well as locally collected revenue.

## RESOURCE ENVELOPE FOR FY 2019/2020 (IN MILLIONS)

**Table 6: Kisumu County Resource Envelope**

Revenue Items	<i>Supplementary Estimates</i>			
	<b>Revenue Projections</b>			
	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>	<b>2021/2022</b>
<b>Opening balance from CRF A/C</b>	<b>1,435.84</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equitable Share</b>	<b>6,908.00</b>	<b>6,696.00</b>	<b>7,164.72</b>	<b>7,666.25</b>
<b>DANIDA</b>	21.97	23.51	25.15	26.92
<b>KDSP(WORLD BANK)</b>	49.64	50.00	53.50	57.25
<b>Conditional allocations-other</b>				
<b>Loans &amp; Grants</b>	-	-	-	-
<b>Level 5 conditional Grant(reducing)</b>	369.02	369.02	394.85	422.49
<b>Conditional Allocation - Development of Youth Polytechnics</b>	41.65	41.67	44.59	47.71
<b>EU grant for Devolution Advice</b>	-	-	-	-
<b>World Bank Grant for transforming health system</b>	67.36	72.08	77.13	82.52
<b>Conditional Allocation For compensation for user fee forgone</b>	21.30	21.30	22.79	24.39
<b>Conditional Allocation for Road Maintenance Fuel Levy Fund</b>	181.88	194.06	207.64	222.17
<b>EU Grant for Instrument for Devolution Advice &amp; Support (IDEAS)</b>	90.00	96.30	103.04	110.25
<b>IDA (World bank-Kenya Climate Smart Agriculture Project)</b>	117.00	118.00	126.26	135.10
<b>Kenya Urban Support Project-Urban Institutional Grant</b>	40.00	40.00	42.80	45.80
<b>IDA (World Bank Credit Kenya Urban Support Project)</b>	773.57	827.72	885.66	947.66
<b>Total Share of National Revenue</b>	<b>10,117.24</b>	<b>8,549.66</b>	<b>9,148.13</b>	<b>9,788.50</b>
<b>Locally collected Revenue</b>				
<i>Main Revenue Streams</i>				
<b>Market Fees</b>	117.26	125.47	134.25	143.65
<b>Parking Fees</b>	117.08	125.28	134.05	143.43
<b>Bus Park</b>	157.21	168.22	179.99	192.59

Revenue Items	<i>Supplementary Estimates</i>		Revenue Projections	
	2018/2019	2019/2020	2020/2021	2021/2022
<b>Boda Boda self regulation</b>	30.00	32.10	34.35	36.75
<b>Rents</b>	43.57	46.62	49.89	53.38
<b>Land Rates</b>	207.35	221.87	237.40	254.02
<b>Single Business Permits</b>	135.08	144.54	154.65	165.48
<b>Building Plans</b>	30.62	32.76	35.06	37.51
<b>Liquor Licenses</b>	20.53	21.97	23.51	25.15
<b>Sign Board promotion etc.</b>	72.11	77.15	82.55	88.33
<b>Public Health</b>	2.78	2.97	3.18	3.40
<b>Cesses - Others</b>	54.56	58.38	62.46	66.84
<b>Subtotal for main revenue streams</b>	<b>988.16</b>	<b>1,057.33</b>	<b>1,131.34</b>	<b>1,210.54</b>
<b>Health</b>	304.59	325.91	348.72	373.13
<b>Agriculture , mechanisation and training</b>	13.95	14.93	15.97	17.09
<b>Commerce, Trade and Tourism</b>	1.66	1.78	1.90	2.04
<b>Industrialisation / Cooperatives</b>	0.07	0.07	0.07	0.08
<b>Educ. Sports, Social services etc.</b>	2.17	2.32	2.49	2.66
<b>Physical planning /Public works</b>	2.89	3.09	3.31	3.54
<b>Water</b>	7.92	8.47	9.07	9.70
<b>Roads, Public Works</b>	52.80	56.50	60.45	64.68
<b>Equipment Hire &amp; Supervision</b>				
<b>Energy and Mining</b>	2.20	2.35	2.52	2.70
<b>Green Energy and Mining</b>	4.40	4.71	5.04	5.39
<b>Environment (Pollution Administrative &amp; Restoration charges)</b>	1.76	1.88	2.02	2.16
<b>Total Revenue from other sources</b>	<b>394.41</b>	<b>422.02</b>	<b>451.56</b>	<b>483.17</b>
<b>Gross Locally Collected Revenue</b>	<b>1,382.57</b>	<b>1,479.35</b>	<b>1,582.90</b>	<b>1,693.70</b>
<b>Total Own Revenue</b>	<b>11,499.80</b>	<b>10,029.01</b>	<b>10,731.04</b>	<b>11,482.21</b>

- The increase in resource envelope has been attributed to the projected economic growth of 6% in 2019/2010 FY (World Bank's 18<sup>th</sup> Kenya Economic Update, KEU) and the anticipated increase of 1% in efforts of raising local revenues.
- Factoring of opening balances has been deferred to the time of actual budgeting.

- It is assumed that the grants and loans will grow at the same rate as equitable share from the National Government.
- Other items of loans and grants which are usually budgeted for but never disbursed to the Counties have not been factored in the projections

#### 4.3.2 CRITERIA FOR RESOURCE SHARING

- i. **Non – discretionary expenditure:** In the recurrent expenditure category, non-discretionary expenditures take the first charge and include statutory obligations such as salaries, gratuity and pension that are financed by the Kisumu County government. These expenditures are projected at **42** per cent of the total revenue.
- ii. **Development expenditures** are shared out on the basis of CIDP priorities as well as strategic interventions to boost revenue base and stimulate the economic growth as outlined in the Governor’s Manifesto. The Development expenditures are estimated at **35** percent
  - **On-going projects:** emphasis is given to completion of on-going projects with high impact on poverty reduction, social injustices, employment and wealth creation.
  - **Infrastructure projects:** with the County government’s commitment to improve infrastructure, construction of roads, development of water and sanitation network, energy and construction of offices will be given priority.
- iii. **Operations and maintenance:** It accounts for **23** per cent of the total estimated revenue. The Health and Sanitation Sector is the highest at **30.03** percent.

## PROJECTED DEPARTMENTAL BUDGET CEILINGS

### 2019/2020 (IN MILLIONS)

**Table 7: Kisumu County Projected Departmental Budget Ceilings**

Departments/County Entities	PE FY 2019/2020	PE % FY 2019/2020	DVPT FY 2019/2020	DVPT % FY 2019/2020	O & M FY 2019/2020	O&M % FY 2019/2020	TOTAL FY 2019/2020	% of Total Allocation FY 2019/2020
Agriculture, Irrigation, Livestock and Fisheries	245.15	5.82%	282.57	8.05%	69.20	3.00%	<b>596.92</b>	<b>5.95%</b>
Finance and Economic Planning	137.32	3.26%	291.34	8.30%	199.99	8.67%	<b>628.65</b>	<b>6.27%</b>
Business, Cooperatives and Markets	18.11	0.43%	129.17	3.68%	26.76	1.16%	<b>174.04</b>	<b>1.74%</b>
Energy and Industrialization	18.11	0.43%	134.09	3.82%	80.27	3.48%	<b>232.47</b>	<b>2.32%</b>
Physical Planning, Lands and Urban Development	26.12	0.62%	346.80	9.88%	23.07	1.00%	<b>395.99</b>	<b>3.95%</b>
Water, Environment & Natural Resources	82.98	1.97%	381.20	10.86%	92.27	4.00%	<b>556.45</b>	<b>5.55%</b>
Health and Sanitation	2,295.64	54.50%	305.03	8.69%	692.69	30.03%	<b>3,293.36</b>	<b>32.84%</b>
Education, Human Capacity Development and ICT	120.47	2.86%	308.19	8.78%	115.56	5.01%	<b>544.22</b>	<b>5.43%</b>
Roads, Public Works and Transport	74.56	1.77%	542.32	15.45%	100.34	4.35%	<b>717.21</b>	<b>7.15%</b>
Tourism, Culture, Arts, Sports and Information	30.33	0.72%	377.34	10.75%	70.58	3.06%	<b>478.25</b>	<b>4.77%</b>
Governance and Administration	223.25	5.30%	130.23	3.71%	237.13	10.28%	<b>590.60</b>	<b>5.89%</b>

City of Kisumu	614.56	14.59%	281.87	8.03%	92.27	4.00%	<b>988.69</b>	<b>9.86%</b>
Kisumu County Public Service Board	38.75	0.92%	-	0.00%	23.07	1.00%	<b>61.82</b>	<b>0.62%</b>
County Assembly	286.85	6.81%	-	0.00%	483.48	20.96%	<b>770.33</b>	<b>7.68%</b>
<b>TOTAL</b>	<b>4,212.18</b>	<b>100.00%</b>	<b>3,510.15</b>		<b>2,306.67</b>	<b>100.00%</b>	<b>10,029.01</b>	<b>100.00%</b>
<b>% Allocation for FY 2018/2019</b>	<b>42%</b>		<b>35%</b>		<b>23%</b>		<b>100%</b>	

## REVENUE PERFORMANCE FOR FIRST AND SECOND QUARTER OF THE FY 2018/2019

**Table 8: Revenue Collection Report 2018/2019**

Revenue Streams	First Quarter	Second Quarter
<b>Locally collected Revenue</b>		
<b>Main Revenue Streams</b>		
Land Rates	12,164,621.00	15,376,394.00
Rents	5,145,261.00	2,341,950.00
Trade license fees	8,459,345.00	2,973,200.00
Bus Park Fees	12,684,640.00	19,932,510.00
Parking Fees	9,511,830.00	9,071,500.00
Monthly Stickers	-	8,392,700.00
Clamping Fees	-	146,000.00
Market Fees	6,036,418.00	16,259,290.00
Building Plans	4,393,201.00	3,524,350.00
Sign Board promotion etc	5,825,083.00	3,744,509.00
Sundry revenue	1,509,145.00	179,250.00
Over Payment of Bulk Revenues	-	-
Public Health and Others	785,280.00	346,602.00
<b>Sub-Total</b>	<b>66,514,824.00</b>	<b>82,288,255.00</b>
<b>Revenue from Departments</b>		
Health	33,026,900.00	11,270,281.00
Agriculture, Livestock and Fisheries	1,370,988.00	960,465.00
Commerce, Tourism, Trade and Heritage	2,361,282.00	228,040.00
Water	1,249,220.00	-
Lands, Housing and Physical Planning	3,768,940.00	188,200.00
Education, Youth, Culture and Sports	598,030.00	1,553,920.00
Industrialization and Enterprise Dev.	26,250.00	-
Liquor Licence	4,904,149.00	5,852,064.00

<b>Revenue Streams</b>	<b>First Quarter</b>	<b>Second Quarter</b>
Green Energy	-	-
Energy & Mining	-	-
Environment	255,600.00	11,000.00
Roads, Transport and Public Works	699,700.00	30,000.00
Governance and Administration	149,500.00	-
Paybill	45,560,074.00	32,173,502.00
Direct payment to KCRA	6,910,573.00	-
<b>Sub-Total</b>	<b>100,881,206.00</b>	<b>52,267,472.00</b>
	-	-
<b>Total</b>	<b>167,396,030.00</b>	<b>134,555,727.00</b>