



THE COUNTY GOVERNMENT OF LAMU



LAMU COUNTY BUDGET REVIEW OUTLOOK PAPER

September, 2020

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Foreword

The County Budget Review and Outlook Paper (CBROP) 2020 has been prepared in line with section 118 of the Public Finance Management (PFM) Act 2012 which requires the county government to prepare a budget review and outlook paper in respect for each financial year; and submit it to the County Executive Committee by 30th September.

The paper reviews fiscal performance of the county for the 2019/20 financial year while comparing it with the budget appropriation. In addition, it provides information on changes in forecasts as indicated in the County Fiscal Strategy Paper (CFSP) 2020; and how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the county financial objectives for that year. It further gives reasons for any deviation from the county financial objectives in the fiscal strategy paper together with proposals to address the deviations.

The updated economic and financial outlook presented in this paper will set out the broad fiscal parameters for preparation of the next budget. In particular, the provisional ceilings presented are intended to act as a guide to sector working groups in preparing their budgets.

It is therefore my expectation that the policy paper will be useful in enhancing financial discipline and fiscal responsibilities outlined in section 107 of the PFM Act 2012 and thus contribute towards the realization of aspiration of the residents of Lamu county.

AHMED M. HEMED
COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE, STRATEGY & ECONOMIC PLANNING

Acknowledgement

In compliance with the Public Finance Management (PFM) Act, 2012 and its related regulations, we are pleased to present the 2019 Lamu County Budget Review and Outlook Paper (CBROP). The CBROP highlights actual financial performance for the Financial Year (FY) 2019/2020 against the budget appropriations for the same year. It equally provides a review of the recent economic developments and highlights the actual performance of the FY 2019/20 with regards to compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act or the financial objectives in the CFSP for that financial year; and

The preparation of the 2020 CBROP was a collective effort by various departments of the Lamu county Government. I sincerely wish to thank all the departments for providing important and timely information about the execution of their budget for the financial year 2019/20. This information was very helpful in laying out the basis upon which the projections for the next financial years was done.

My heartfelt appreciation goes to the team of staff from Budget and Economic Department who put in a great effort in compiling the CBROP. In this regard I am specifically grateful to the staff from revenue, Economic Planning, accounts and audit departments who not only ensured its timely production but also reviewed its overall flow and quality.

FATMA SAID
CHIEF OFFICER, BUDGET & ECONOMIC PLANNING

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ABBREVIATIONS AND ACRONYMS

CARA	County Allocation of Revenue Act
CBK	Central Bank of Kenya
CIDP	County Integrated Development Plan
CRA	Commission of Revenue Allocation
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
GDP	Gross Domestic Product
IBEC	Inter-Governmental Budget and Economic Council
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
KNBS	Kenya National Bureau of Statistics
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
PE	Personnel Emoluments
PFM	Public Finance Management
PWD	People with Disabilities
SRC	Salaries and Remuneration Commission
SWG	Sector Working Group

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Preamble

Legal Basis for Preparation of the County Budget Review and Outlook Paper

The Budget Review and Outlook Paper (CBROP) is prepared in accordance with Section 118 of the Public Finance Management (PFM) Act 2012. The law stipulates that:

- 1) A county Treasury shall;
 - a. Prepare a CBROP in respect of the County for each year; and
 - b. Submit the paper to the County Executive Committee (CEC) by 30th September of that year.
- 2) In preparing its CBROP, the County Treasury shall specify;
 - a. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year
 - b. The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP)
 - c. Information on:
 - (i) Any changes in the forecasts compared with the CFSP; or
 - (ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or financial objectives in the CFSP for that financial year; and
 - d. Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.
- 3) The CEC shall consider the CBROP with a view to approving it, with or without amendments, within fourteen days after its submission.
- 4) Not later than seven days after the CBROP is approved by the CEC, the County Treasury shall:
 - a. Arrange for the paper to be laid before the County Assembly; and
 - b. As soon as practicable after having done so, publish and publicize the paper.

Fiscal Responsibility Principles in the Public Financial Management Law

In line with the Constitution of Kenya 2010, the PFM Act, 2012 sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. Section 107 of the PFM Act, 2012 states that: The County Government's recurrent expenditure shall not exceed the County Government's total revenue;

- 1) Over the medium term, a minimum of thirty (30) per cent of the County Government's budget shall be allocated to the development expenditure;
- 2) The county Government's expenditure on wages shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly;
- 3) Over the medium term, the Government's borrowing shall be used only for purpose of financing development expenditure and not for recurrent expenditure;
- 4) The County debt shall be maintained at a sustainable level as approved by County Assembly;
- 5) The fiscal risks shall be managed prudently; and
- 6) 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.

1.0 INTRODUCTION

This section provides a highlight of the objectives of the CBROP, its significance in the budget making process and a brief description of the structure. The CBROP is prepared in line section 118 of the Public Finance Management (PFM) Act, 2012. The paper reviews the fiscal performance of the county for the financial year 2019/2020; the updated macro-economic and financial forecasts; and deviations from the approved County Fiscal Strategy Paper (CFSP) 2020 and reasons for such deviations.

1.1 Objective of CBROP

The objective of CBROP is to provide a review of the previous fiscal performance and how this impacts the financial objectives and fiscal responsibility principles to be set out in the CFSP. This together with macroeconomic outlook provides a basis for revision of the current budget in the context of the broad fiscal parameters underpinning the next budget and the medium term. Details of the fiscal framework and the medium term policy priorities will be firmed in the CFSP.

Specifically, the CBROP provides:

- Updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
- Details of the actual fiscal performance in the previous year compared to the budget appropriation for that particular year;
- Any changes in the forecasts compared with the CFSP;
- Indication on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
- Reasons for any deviation from the financial objectives in the CFSP together with proposed measures to address the deviation and the time estimated for doing so.

1.2 Significance of CBROP

The paper is a policy document and links planning with budgeting. It is significant in the budget making process within the Medium Term Expenditure Framework (MTEF) as it reviews previous fiscal performance for the year and identifies any deviations from the budget with the aim of providing realistic forecasts for the coming year. It also assesses how fiscal responsibility principles were adhered as provided in section 107 of the PFM Act 2012. In addition, the updated

macroeconomic and financial outlook provides a basis for any budget revision and sets out broad fiscal parameters for the next budget. Further, the paper is expected to provide indicative Departmental ceilings for the FY 2021/2022 budget and in the medium term to guide Sector Workings groups (SWGs) before being affirmed in the CFSP 2021.

1.3 Structure

This paper has four other sections. Section Two reviews the county's fiscal performance for the previous year. It is divided into three sub-sections, namely, The Overview, Fiscal Performance and Implications of Fiscal Performance. Section three reviews recent economic developments and has four subsections of Recent Economic Developments, Economic Outlook & Policies, Medium Term Fiscal Framework and Risks to the Outlook. Section four sets out how the county government intends to operate within its means. It establishes the resources envelop (total revenues) it expects then allocates these across departments by setting expenditure ceilings for each department. In addition, it has four sub-sections: adjustment to the proposed budget; the medium term expenditure framework; proposed budget framework; and projected fiscal balance and likely financing. And lastly, section five gives a conclusion of the entire paper.

2.0 REVIEW OF COUNTY FISCAL PERFORMANCE IN 2019/20 FY

2.1 Overview

In FY 2019/20 the county approved supplementary budget amounted to **Kshs 4,736,317,031**

Comprising of **Kshs 2,655,940,022.00** and **Kshs. 2,080,377,010.00** for Recurrent and Development expenditure respectively

To Finance the budget, the county expected to receive **Kshs 2,595,300,000.00 (55%)** as equitable share of revenue raised nationally, **Kshs 238,418,645.00 (5%)** as Conditional Grants from National Government Revenue, **Kshs 338,425,410.00(7%)** as Conditional Allocations from loans & grants from Development partners, **Kshs 500,000.00(0.01%)**, **Kshs100,000,000 (2%)** as Own Source Revenue and **Kshs 1,463,672,976(31%)** being cash balances from previous FY (2018/19)

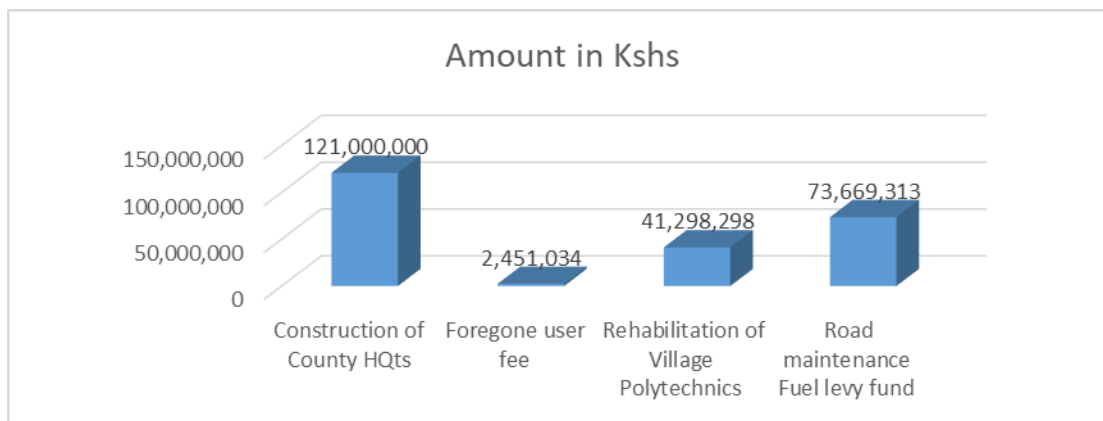
The expected sources of budget financing are as shown in figure 1.

Figure 1: Expected Sources to budget Financing in FY 2019/20



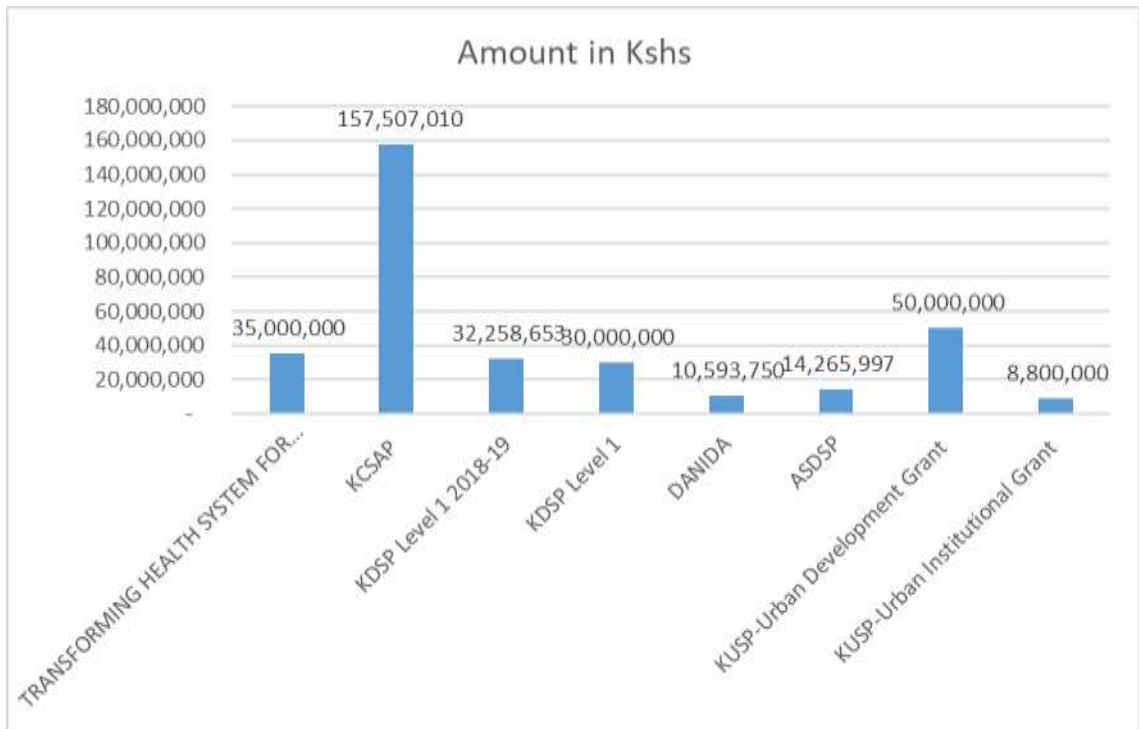
The conditional grants contained in the CARA, 2019 comprised Kshs.73.66 million from the Road Maintenance Fuel Levy Fund, Kshs.2.45 million as Compensation for User Fee Foregone, Kshs.10.5 million from DANIDA, Kshs. Kshs.35 Million as World Bank loan to supplement financing of County Health facilities, million for the World Bank Kenya Devolution Support Programme, Kshs.41.29 million for Development of Youth Polytechnics, Kshs 121 million as Supplement for construction of county headquarters and Kshs.30 Million as KDSP level one grant. Other grants included kshs 157 Million for Climate Smart Agriculture and Kshs 14 Million for ASDSP.

Figure 1: Conditional Grants from national Governments



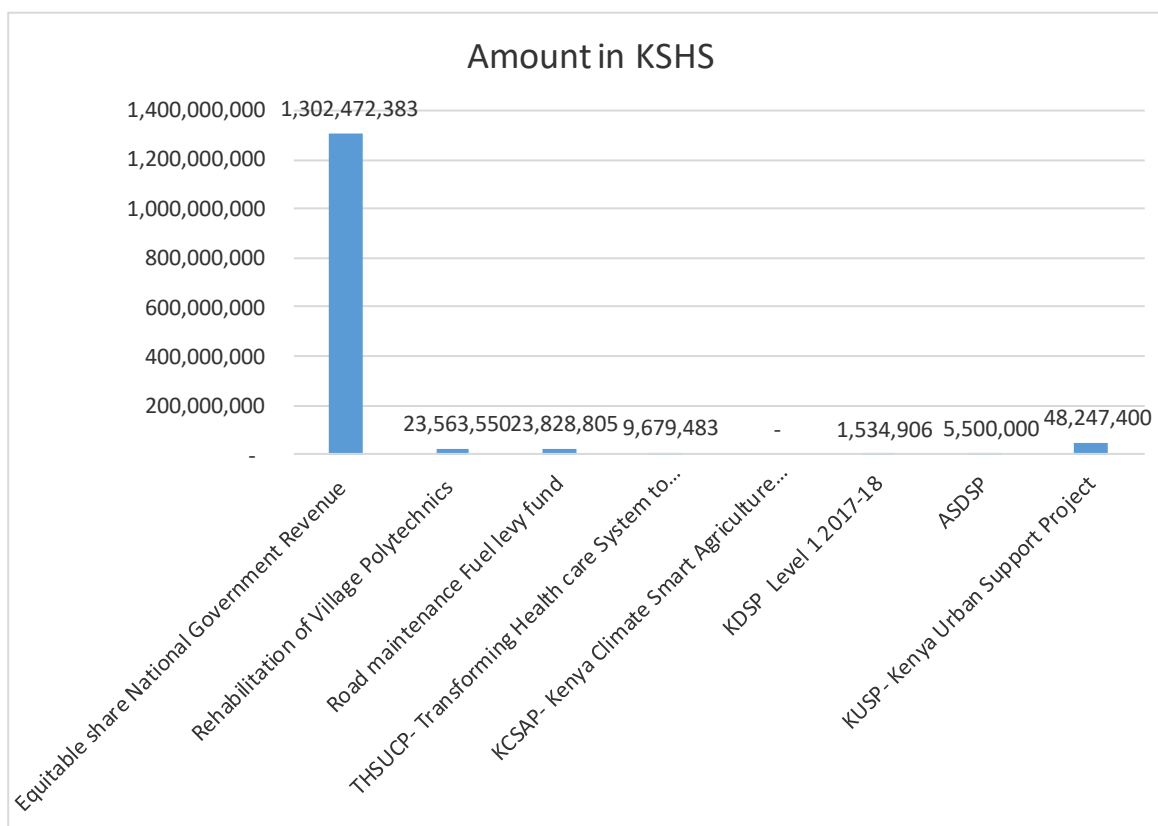
The Conditional Grants Allocations from loans & grants from Development partners as contained in the CARA, 2019 are as shown in figure 3.

Figure 2 : Conditional Grants Allocations from loans & grants from Development partners



Balance brought forward from FY 2018/19 from various revenue sources to finance 2019/ 20 are as indicated in figure 4

Figure 3 : revenue b/f from 2018/19



2.2 Fiscal Performance

2.2.1 Revenue Performance

During FY 2019/20, the County received Kshs.2.37 billion as equitable share of the revenue raised nationally, Kshs.397.5 million as total Conditional Grants, raised Kshs.108.91 million as own-source revenue, and had a cash balance of Kshs.1.46 billion from FY 2018/19. The total funds available for budget implementation during the period amounted to Kshs.4.34 billion as shown in Table 1.

Table 1: Lamu County, Revenue Performance in FY 2019/20

S/No.	Revenue	Annual	Annual	Actual	Actual Receipts as
		CARA, 2019	Budget	Receipts	Percentage of
		Allocation	Allocation		Annual Budget
		(Kshs)	(Kshs)	(Kshs.)	Allocation
				(%)	
A.	Equitable Share of Revenue Raised Nationally	2,595,300,000	2,595,300,000	2,372,104,200	91.4%
B.	Conditional Grants from the National Government				
1	Supplement for construction of county headquarters	121,000,000	121,000,000	0	0
2	Compensation for User Fee Foregone	2,451,034	2,451,034	2,451,034	100
3	Leasing of Medical Equipment	131,914,894			0
4	Road Maintenance Fuel Levy Fund	73,669,313	73,669,313	73,669,312	100
5	Rehabilitation of Village Polytechnics	41,298,298	41,298,298	41,298,298	100

Sub Total		370,333,539	238,418,645	117,418,644	49%
C	Loans and Grants from Development Partners				
1	Transforming Health systems for Universal care Project (WB)	35,000,000	35,000,000	34,402,667	98.3
2	IDA (WB) Kenya Climate Smart Agriculture Project (KCSAP)	157,507,010	157,507,010	112,741,878	71.6
3	IDA (WB) Credit: Kenya Devolution Support Project (KDSP) Level 1 Grant	30,000,000	62,258,653	30,000,000	48%
4	IDA (WB) Credit: Kenya Urban Support Project (KUSP) –Urban Development Grant	50,000,000	50,000,000	35,761,940	71.5
5	DANIDA Grant	10,593,750	10,593,750	14,548,750	137.3
6	Sweden - Agricultural Sector Development Support Programme (ASDSP) II	14,265,997	14,265,997	9,882,997	69.3
7	IDA (WB) Credit: Kenya Urban Support Project (KUSP) –Urban Institutional Grants (UIG)	8,800,000	8,800,000	8,800,000	100
8	COVID - 19 GRANT	0	-	13,682,000	#DIV/0!
9	Frontliners Health Workers Allowances	0	-	20,325,000	#DIV/0!
Sub Total		306,166,757	338,425,410	280,145,232	91.5
D	Other Sources of Revenue				
1	Own Source Revenue	0	100,500,000	108,906,153	108.9
2	Balance b/f from FY 2018/19	0	1,463,672,976	1,463,672,976	100
Sub Total		0	1,564,172,976	1,572,579,129	1.005374184
Grand Total		3,271,800,296	4,736,317,031	4,342,247,205	91.7%

2.2.2 OWN SOURCE REVENUE PERFORMANCE

The total revenue for 2019/2020 was approximately KShs 108 million. The respective revenue for each year is provided in Table 3. While the total revenue has been steadily increasing, the data shows that more revenue was collected during 4th quarter.

Table 2: Revenue Performance

YEAR	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4	TOTAL
2015-2016	10,192,829	12,400,163	18,519,597	12,030,828	53,143,417
2016-2017	4,658,554	15,425,210	16,470,702	28,555,506	65,109,972
2017-2018	4,308,450	11,077,394	16,505,766	20,545,695	52,437,305
2018-19	6,327,478	10,450,611	15,483,693	39,610,655	71,872,437
2019-20	11,922,697	20,187,590	17,735,006	58,732,025	108,577,319

Figure 4: Revenue Performance Over a period of three Fiscal Years

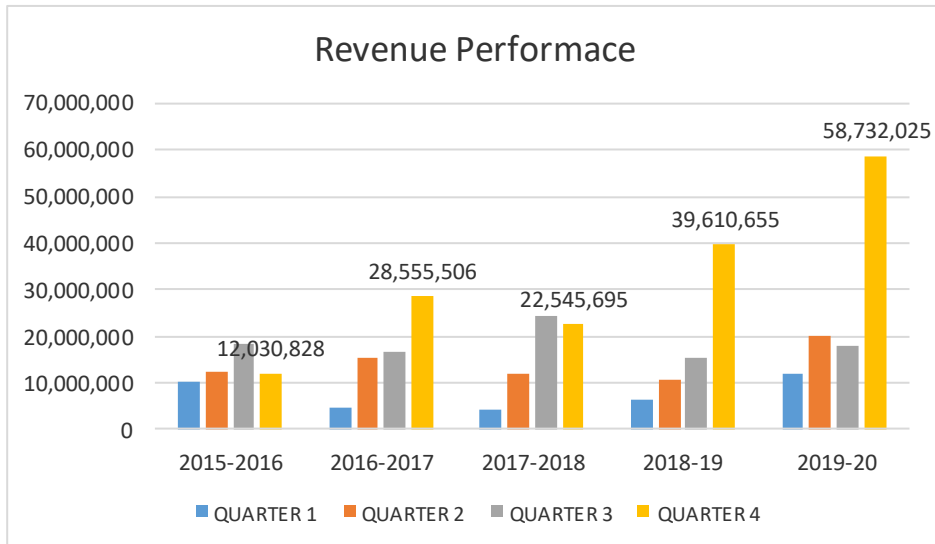


Table 3: Revenue Performance per Stream

REVENUE PERFORMANCE BY STREAMS				
	2019/20	2018-19	increase/decrease	% dev5ati
REVENUE FROM HOSPITALS	51,669,962	18,190,159	33,479,803	65%
OPEN AIR MARKET	1,079,296	689,690	389,606	36%
REVENUE FROM PUBLIC HEALTH	349,520	409,170	-59,650	-17%
FISHERIES REVENUE	115,400	552,480	-437,080	-379%
PARKING FEES	1,079,800	1,162,775	-82,975	-8%
REVENUE FROM AGRICULTURE	168,600	3,852,000	-3,683,400	-2185%
SINGLE BUSINESS PERMIT	9,360,150	14,287,065	-4,926,915	-53%
STALL REVENUE	232,100		232,100	100%
CESS	4,434,477	4,591,792	-157,315	-4%
MISCELLANEOUS	2,218,092	3,142,650	-924,558	-42%
LAND RENT/PROPERTY RATES	4311842	13,386,860	-9,075,018	-210%
REVENUE FROM VETERINARY SERV	476,282	648,485	-172,203	-36%
METER RENT	3,300		3,300	100%
ADVERTISEMENT	2,742,970	1,214,100	1,528,870	56%
TRAINING/LEARNING CENTRES	483,400	910,850	-427,450	-88%
SEWER CONNECTION DEPOSIT	149,633	412,817	-263,184	-176%
SAND,GRAVEL,AND BALLAST EXTR	1,671,407	3,674,709	-2,003,302	-120%
LAND REVENUE	17,490,280	3,390,136	14,100,144	81%
Donation to support Lamu culture v	1,700,000	1,350,000	350,000	21%
COMMISSION EARNED	3,593,541		3,593,541	100%
WATER DESILATION PLANT	270,575		270,575	100%
COUNCIL VEHICLES HIRE (AMS TRA	5,305,526		5,305,526	100%
	108,906,153	71,865,737	37,040,416	34%

As shown in Table 4, the total own source revenue collected in the FY 2019/20 amounted to approximately KShs 108 million. This represented 34 per cent increment in annual own source as compared to the FY 2018/19, There were also some significant variations in collection among the various revenue streams, which is explained below.

REVENUE FROM HOSPITAL

The above table shows that the hospital revenue increase by kshs 33 M in 2019/2020 as compared to 2018/2019 due to remittance of the hospital collection from NHIF.

OPEN AIR MARKET

The collection from open air market reduced increased by kshs 389,606 despite the Covid 19 Emergency.

SINGLE BUSINESS PERMIT

The collection of SBP decreased by 53% as a result of restriction imposed due to covid 19 restriction. Many businesses we closed like bars, hotels, learning institutions and salons. This affected their ability to pay for single business permits,

CESS

There was some Reduction in the collection of Cess by kshs 157,315 compared to the same period in FY 2018-19

Figure 1 shows the trend in own-source revenue collection from FY 2013/14 to FY 2019/20.

Figure 1: Trend in Own-Source Revenue Collection from FY 2013/14 to FY 2019/20



Source: Lamu County Treasury

**Obtain and include explanation for any significant drop or increase (more than 25%)*

During FY 2019/20, the County generated a total of Kshs.108.91 million as own-source revenue. This amount represented an increase of 34 per cent when compared to Kshs.71.87 million realised during the same period in FY 2018/19, and represented 108.9 per cent of the annual target.

The significant increase was attributed to increase in NHIF claims and capitation money.

Key challenges in revenue collection

- Lack of legislative framework in Lamu county

- Poorly maintained rate payers **databases**
- Inadequate **human capacity**
- Ineffective **enforcement**
- High cost of revenue collection
- Poorly structured/implemented **revenue systems**
- Loopholes and leakages
- Lack of rate payer **education**
- Failure to match fees & Charges to **service provision**

Strategies to be employed by the department to enhance revenue and service delivery

1. Fully automate revenue operations (to integrate with county bank account)
2. Enact revenue collection legislation bills i.e. hotel levies and charges, quarry act, liquor license act
3. Develop a service charter for the revenue
4. Identify new revenue sources
5. Do valuation for areas that are not currently covered by valuation roll
6. More engagement of the enforcement officers to ensure compliance
7. Clear defined roles and responsibility for the revenue staff
8. Develop remuneration policy for the revenue staff
9. Training of revenue staff (capacity building)
10. Tax payer civic education
11. Develop an internal control system
12. Involvement and sensitization of key stakeholders e.g. other department
13. Develop profile (bio data) for all land rate payers

2.2.3 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.3.5 billion from the CRF account during the reporting period. This amount comprised of Kshs.972.79 million (30 per cent) for Development programmes and Kshs.2.27 billion (70 per cent) for Recurrent programmes.

2.2.4 Overall Expenditure Review

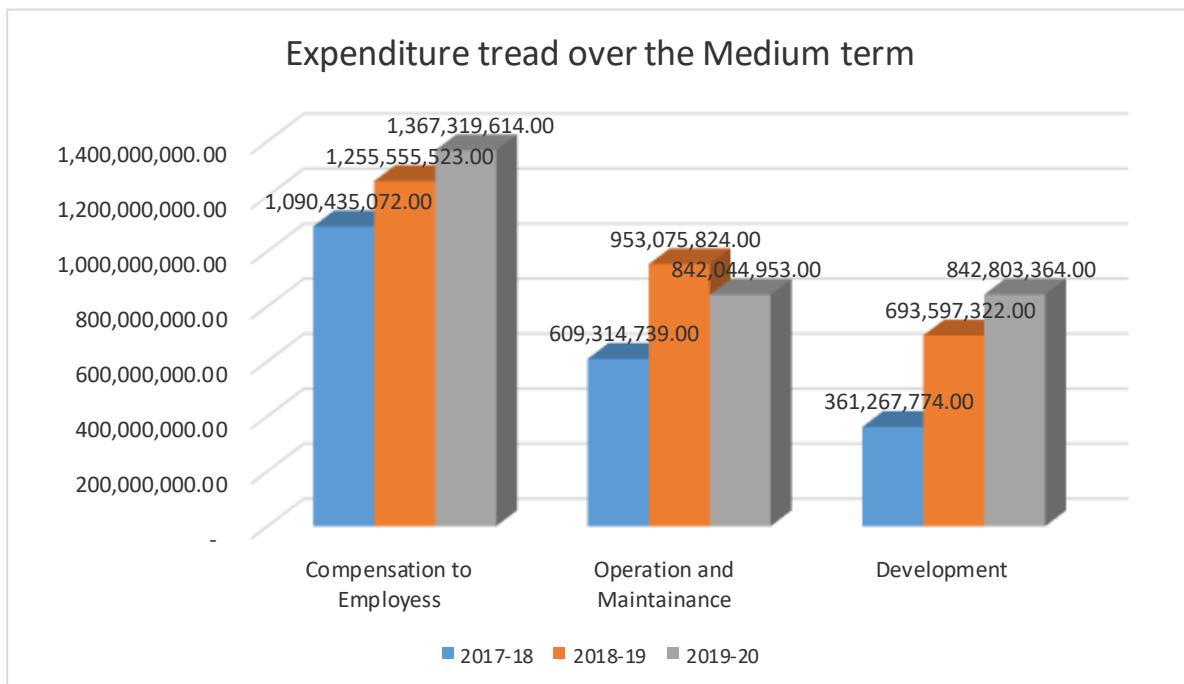
A total of Kshs.3.05 billion was spent on Development and Recurrent programmes and represented 94 per cent of the total funds released from the CRF account. The expenditure comprised of Kshs.843.61 million and Kshs.2.21 billion on development and recurrent activities respectively. Expenditure on Development programmes represented an absorption rate of 40.6 per cent while that incurred on Recurrent programmes represented an absorption rate of 83.2 per cent.

2.2.5 Pending Bills

The County had accumulated pending bills amounting to Kshs.295 million as at June 30, 2020. These bills consisted of Kshs.200.32 million for development activities and Kshs. 94.65 million for recurrent expenditure.

2.2.6 Expenditure by Economic Classification

Figure 5: Expenditure by economic classification over the Medium



Analysis of recurrent expenditure indicated that Kshs.1.36 billion was spent on Compensation to Employees, Kshs.868.78 million on Operations and Maintenance, and Kshs.843.61 million on Development expenditure.

Table 2: Summary of FY 2019/20 Expenditure by Economic Classification

Expenditure Classification	Budget (Kshs.)	Exchequer Issues (Kshs.)	Expenditure (Kshs.)	Expenditure as a Percentage of Total Expenditure (%)	Absorption (%)
Total Recurrent Expenditure	2,655,940,022	2,274,312,783	2,208,883,249	72.4%	83.2%
Compensation to Employees	1,392,467,242	1,391,570,107	1,360,099,049	44.9%	96.2%
Operations and Maintenance	1,263,472,780	882,742,676	868,784,200	28.5%	68.8%
Total Development Expenditure	2,080,377,010	972,789,948	843,612,458	27.6%	40.6%
Development Expenditure	2,080,377,010	972,789,948	843,612,458	27.6%	40.6%
Total	4,736,317,031	3,247,102,732	3,052,495,707	100.0%	64.4%

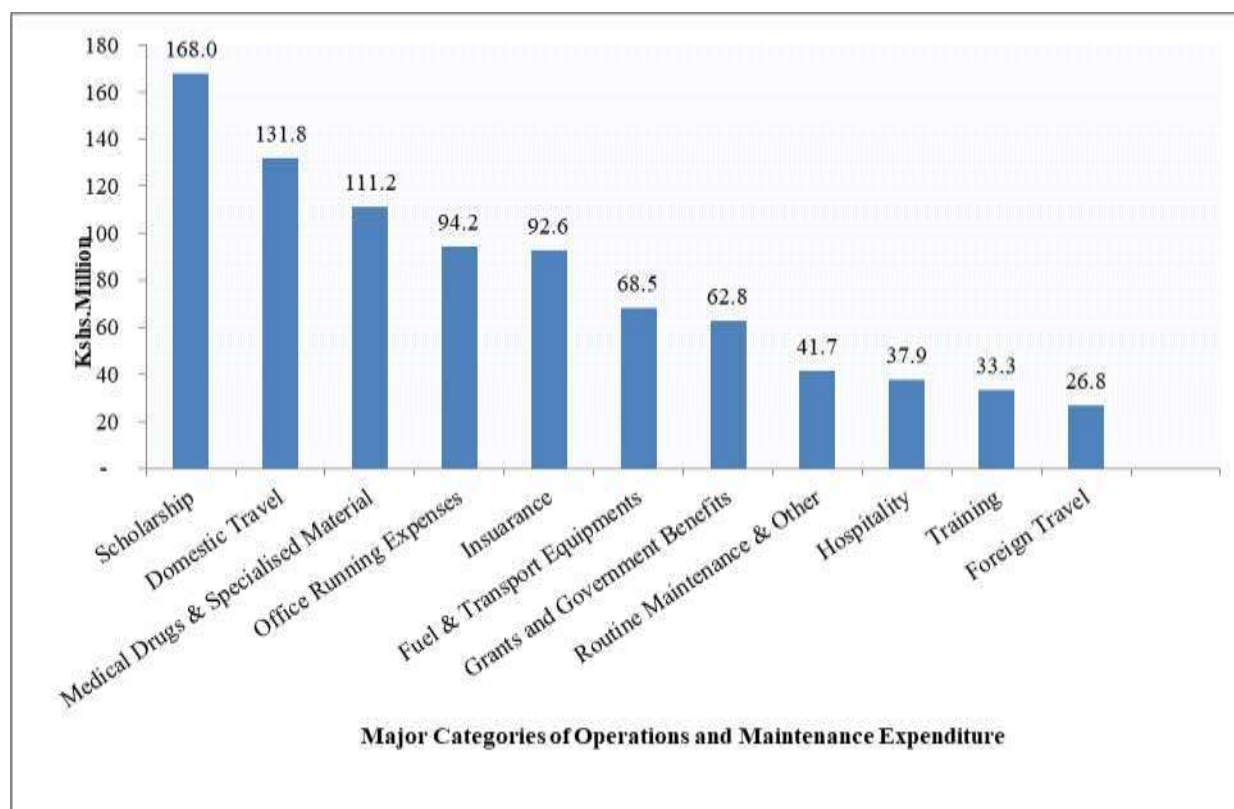
Source: Lamu County Treasury

Expenditure on Compensation to Employees was 43.9 per cent of the total expenditure for the financial year and represented an increase of 6.7 per cent compared to a similar period in FY 2018/19 when the County spent Kshs.1.26 billion.

2.2.7 Analysis of Operations and Maintenance Expenditure

Figure 2 shows a summary of Operations and Maintenance expenditure by major categories.

Figure 6: Lamu County, Operations and Maintenance Expenditure by Major Categories in FY 2019/20



Source: Lamu County Treasury

During the period, expenditure on Domestic Travel amounted to Kshs.131.83 million and comprised of Kshs.45.51 million spent by the County Assembly and Kshs.86.32 million by the County Executive. Expenditure on Foreign Travel amounted to Kshs.26.76 million and comprised of Kshs.26.06 million spent by the County Assembly and Kshs.0.70 million by the County Executive.

2.2.8 Development Expenditure Analysis

The Development expenditure of Kshs.843.61 million represented 40.6 per cent of the annual development budget of Kshs.2.08 billion and represented an increase of 21.6 per cent compared to a similar period in FY 2018/19 when the County spent Kshs.693.60 million. Table 3 provides a summary of development projects with the highest expenditure in the financial year.

Table 4: Lamu County, List of Development Projects with the Highest Expenditure in FY 2019/20

S/No.	Project Name/Description	Project Location	Project Budget	Project Actual Expenditure (Kshs.)	Absorption Rate (%)
1	NHIF Indigent cover for 16,500 households	Countywide	120,000,000	120,000,000	100%
2	Furniture and Fittings - HQs for county assembly Departments	County HQS Hindi	90,000,000	65,351,116	72.6%
3	Water Supply and connection - Dept of Water	Faza and kiunga	90,000,000	53,414,563	59.3%
4	construction of county headquarter phase one- Dept of Executive	County headquarters	56,000,000	31,987,330	57.1%
5	Opening New roads at Manda Island - Dept of Infrastructure	Shella	31,900,000	31,900,000	100.0%
6	Construction of Women and Children hospital - Dept Medical	Bahari	80,000,000	28,296,344	35.4%
7	Construction of Enforcement and Training (Command) Centers - Dept Executive	Mkomani, Shella, Hindi, Mkunumbi, hongwe, Bahari, witu, Kuinga, Faza and basuba	20,000,000	19,900,000	99.5%
8	Planning, Surveying, Regularization and issuance of titles at Kihongwe settlement scheme _ Dept Land	Bahari	20,000,000	17,490,480	87.5%
9	Construction of Modern Market- Dept Municipality	Mkomani	48,247,400	14,374,863	29.8%
10	Driving licence/coxwain - Dept Youth, Gender	Countywide	14,040,000	14,040,000	100.0%

Source: Lamu County Treasury

2.2.9 Budget Performance by Department

Table 4 shows a summary of the approved budget allocation and performance by Department in the FY 2019/20.

Table 5: Lamu County, Budget Performance by Department for FY 2019/20

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev

County Assembly	405.00	195.00	291.41	75.33	289.21	75.33	99.2%	100.0%	71.4%	38.6%
County Executive	427.69	246.69	384.00	53.35	340.91	53.35	88.8%	100.0%	79.7%	21.6%
Finance, Economy and Strategic Planning	101.37	4.10	81.95	0.00	92.41	0.00	112.8%	#DIV/0!	91.2%	0.0%
Agriculture & Irrigation	117.16	169.90	66.46	135.71	84.33	76.48	126.9%	56.4%	72.0%	45.0%
Land, Physical Planning	34.50	140.65	40.90	108.41	30.63	71.58	74.9%	66.0%	88.8%	50.9%
Education and Vocational Training	257.45	179.61	245.67	61.76	240.77	85.33	98.0%	138.2%	93.5%	47.5%
Medical Services	914.33	336.24	874.94	176.79	849.62	177.29	97.1%	100.3%	92.9%	52.7%
Trade, Tourism & Investment Development	26.00	27.90	21.65	22.88	22.03	22.88	101.8%	100.0%	84.8%	82.0%
Livestock, Veterinary & Cooperative Development	37.98	43.02	33.99	8.96	35.29	8.58	103.8%	95.8%	92.9%	20.0%
Public Service Board	45.22	0.00	28.02	26.98	38.10	0.00	135.9%	0.0%	84.3%	#DIV/0!
Water Management & Conservation	27.04	182.67	21.17	64.51	21.42	38.27	101.2%	59.3%	79.2%	20.9%
Gender, Youth, Culture, Sports & Social Services	25.02	124.80	19.34	18.21	17.52	44.85	90.6%	246.3%	70.0%	35.9%
Public Health Sanitation and Environment	86.27	31.58	79.32	23.65	68.64	12.07	86.5%	51.0%	79.6%	38.2%
Fisheries Development	33.85	37.10	29.38	58.01	25.75	12.84	87.6%	22.1%	76.1%	34.6%
Budget & Economic Planning	19.95	0.00	16.22	0.00	15.40	0.00	95.0%	#DIV/0!	77.2%	#DIV/0!
Infrastructure and Energy	43.32	262.88	36.63	102.48	32.99	150.41	90.0%	146.8%	76.2%	57.2%
Lamu Municipality	53.79	98.25	3.25	35.76	3.86	14.37	118.8%	40.2%	7.2%	14.6%
	2655.94	2080.38	2274.31	972.79	2208.88	843.61	97.1%	86.7%	83.2%	40.6%

Source: Lamu County Treasury

Analysis of expenditure by department shows that the Department of Trade, Tourism & Investment Development recorded the highest absorption rate of development budget at 82 per cent while the Department of Finance, Economy and Strategic Planning did not report expenditure on development activities. The Department of Education and Vocational Training had the highest absorption of recurrent budget at 93.5 per cent while the Department of Lamu Municipality had the lowest at 7.2 per cent.

2.2.10 Budget Execution by Programmes and Sub-Programmes

Table 5 shows a summary of the budget execution by programmes and sub-programmes in FY 2019/20.

Table 6 : Lamu County, Budget Execution by Programmes and Sub-programmes in FY 2019/20

Programme	Sub- Programme	Approved Budget (Kshs)	Actual Payments (Kshs)	Variance (Kshs.)	Implementation Status (%)
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Programme	Sub- Programme	Approved Budget (Kshs)	Actual Payments (Kshs)	Variance (Kshs.)	Implementation Status (%)
County Assembly					
	General Administration and Planning	201,811,120	140,724,953	61,086,167	69.7%
	Legislation, Representation and Oversight	398,188,880	148,482,418	249,706,462	37.3%
	Sub total	600,000,000	289,207,371	310,792,629	48.2%
County Executive					
	Headquarters	406,997,394	249,627,143	157,370,251	61.3%
	Office of the Governor and Deputy Governor	240,474,344	127,314,135	113,160,209	52.9%
	Public Service Management	7,175,008	4,018,360	3,156,648	56.0%
	County Public Service	19,730,232	13,301,255	6,428,977	67.4%
	Sub total	674,376,978	394,260,893	280,116,085	58.5%
Finance, Economy and Strategic Planning					
Finance	Headquarters	105,467,686	81,950,432	23,517,254	77.7%
	Sub total	105,467,686	81,950,432	23,517,254	77.7%
Agriculture & Irrigation					
	Directorate of Agriculture and Extension Services	68,009,607	57,997,005	10,012,602	85.3%
	Crop Management	22,936,915	21,502,364	1,434,551	93.7%
	Crop Husbandry	1,967,844	1,252,000	715,844	63.6%
	Agriculture Training Centres(ATC)	5,000,000	-	5,000,000	0.0%
	Plant Diesels Control	189,143,122	80,065,203	109,077,919	42.3%
	Sub total	287,057,488	160,816,572	126,240,916	56.0%
Land, Physical Planning					
	Headquarters	24,151,163	20,718,362	3,432,801	85.8%
	Housing, Urban Dev and Infrastructure	250,000	15,150	234,850	6.1%
	Survey & Planning	150,746,644	81,480,270	69,266,374	54.1%
	Sub total	175,147,807	102,213,782	72,934,025	58.4%
Education and Vocational Training					
	Headquarters	30,120,409	24,457,385	5,663,024	81.2%
	Village Polytechnics	83,598,297	12,090,100	71,508,197	14.5%
	Early Childhood Development	323,345,121	289,551,490	33,793,631	89.5%
	Sub total	437,063,827	326,098,975	110,964,852	74.6%
Medical Services					
	Headquarters	719,778,305	702,874,795	16,903,510	97.7%
	Curative and Rehabilitative Health Dept	137,180,020	122,096,645	15,083,375	89.0%
	Preventive and Promotive Health Dept	393,615,548	201,931,654	191,683,894	51.3%
	Sub total	1,250,573,873	1,026,903,094	223,670,779	82.1%
Trade, Tourism & Investment Development					
	Headquarters	10,244,893	8,520,772	1,724,121	83.2%
	Tourism	3,096,382	2,222,299	874,083	71.8%
	Culture	9,000,000	7,977,690	1,022,310	88.6%
	Trade and Investment	31,554,341	26,187,732	5,366,609	83.0%
	Sub total	53,895,616	44,908,493	8,987,123	83.3%
Livestock, Veterinary & Cooperative Development					
	Headquarters	10,999,193	10,144,975	854,218	92.2%
	Livestock Production	35,812,436	12,709,327	23,103,109	35.5%
	Veterinary Services	32,178,134	19,433,646	12,744,488	60.4%
	Cooperative Development	2,011,734	1,582,287	429,447	78.7%

Programme	Sub- Programme	Approved Budget (Kshs)	Actual Payments (Kshs)	Variance (Kshs.)	Implementation Status (%)
	Sub total	81,001,497	43,870,235	37,131,262	54.2%
Public Service Board					
	Trade Development and Regulation	45,217,320	38,096,096	7,121,224	84.3%
	Sub total	45,217,320	38,096,096	7,121,224	84.3%
Water Management & Conservation					
	Headquarters	199,426,925	50,912,636	148,514,289	25.5%
	Headquarters	10,286,597	8,773,767	1,512,830	85.3%
	Sub total	209,713,522	59,686,403	150,027,119	28.5%
Gender, Youth, Culture, Sports & Social Services					
	Headquarters	85,713,732	40,906,776	44,806,956	47.7%
	Headquarters	7,254,200	5,034,201	2,219,999	69.4%
	Social Services	56,848,040	16,432,490	40,415,550	28.9%
	Sub total	149,815,972	62,373,467	87,442,505	41.6%
Public Health Sanitation and Environment					
	Headquarters	117,855,850	80,708,882	37,146,968	68.5%
	Sub total	117,855,850	80,708,882	37,146,968	68.5%
Fisheries Development					
	Headquarters	70,950,222	38,581,590	32,368,632	54.4%
	Sub total	70,950,222	38,581,590	32,368,632	54.4%
Budget & Economic Planning					
	Economic Planning and Budgeting	19,949,480	15,404,134	4,545,346	77.2%
	Sub total	19,949,480	15,404,134	4,545,346	77.2%
Infrastructure and Energy					
	Headquarters	306,192,493	183,400,136	122,792,357	59.9%
	Sub total	306,192,493	183,400,136	122,792,357	59.9%
Lamu Municipality					
	Headquarters	152,037,400	18,231,647	133,805,753	12.0%
	Sub total	152,037,400	18,231,647	133,805,753	12.0%
Grand Total		4,660,298,331	2,957,596,378	1,702,701,953	63.5%

Source: Lamu County Treasury

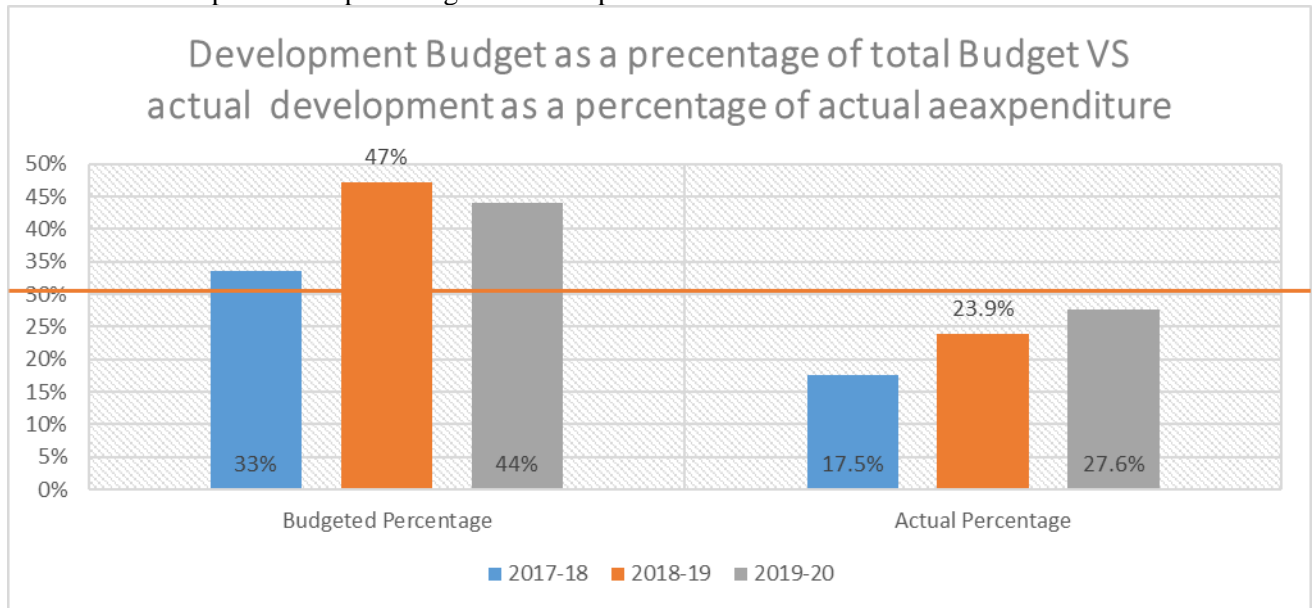
Based on the implementation status as shown in table 5, the best performing programs were: *Public Service Board at 84.3 per cent, Trade, Tourism & Investment Development at 83.3 per cent, Medical Services at 82.1 per cent, and Finance, Economy and Strategic Planning at 77.7 per cent of budget allocation.*

2.2.10 ADHERENCE TO COUNTY FISCAL PRINCIPALS AS STIPULATED IN SECTION 107 OF PUBLIC FINANCE MANAGEMENT ACT 2012.

(a) over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;

As it can be that the county has been complying with the PFMA 2012 act when it comes to budgeting but has been falling short when it comes to actual expenditure visa vis total county expenditure as it can be seen in the figure below.

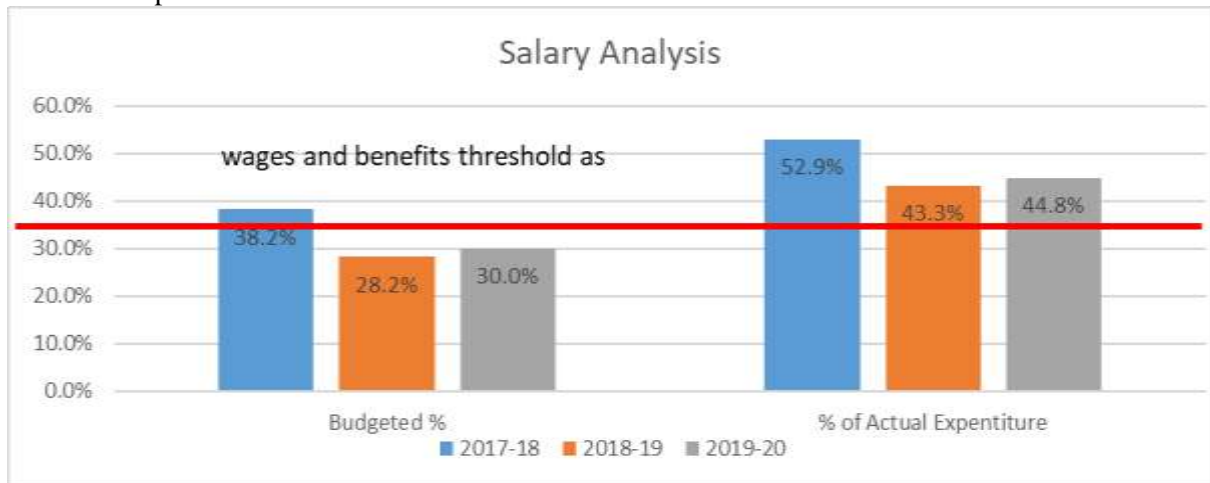
Figure 7: percentage of Development expenditure as percentage of total Development vs actual Development as a percentage of total expenditure



(b) the County Government’s expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government’s total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;

(c) The public finance management regulation 25(1)(b) requires that that benefits and wages to employees should not exceed 35% of the total county revenue. During the medium term period County Government of Lamu with the exception of FY 2017-18 has been Complying with the said regulation in terms of Budgeting. However, the county has not been complying with the regulation when it comes to benefits and wages in comparison with Actual expenditure as shown in the figure below.

Figure 8: County government wages and benefits allocation as percentage of total budget vs total expenditure for FY 2017-18/ 2019-20



3.0 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 Overview

A. Recent Economic Developments

(d) The outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures have devastated global economies. As a result, the global economy is projected to contract by 4.9 percent in 2020 from a growth of 2.9 percent in 2019 with prospects across countries and regions remaining highly uncertain. Kenya has not been spared. The Pandemic and the containment measures slowed down economic activities in key sectors of the economy in the first quarter of 2020, resulting to a lower growth of 4.9 percent compared to a growth of 5.5 percent in a similar period in 2019. Overall, taking into account the available indicators for second quarter for 2020, the economy is projected to grow by 2.6 percent in the calendar year 2020 compared to the initial projection of 6.1 percent in the 2020 Budget Policy Statement. The economy is projected to rebound to 5.3 percent in 2021 and 5.9 percent over the medium term. In terms of fiscal years, the economy is projected to grow by 4.0 percent in the FY 2020/21 and 5.9 percent over the medium term.

(e) The slowdown in the first quarter of 2020 was mainly due to the uncertainty surrounding the Covid-19 pandemic that was already slowing economic activity in most of the country's major trading partners. The contraction by 9.3 percent in the accommodation and food services sector exacerbated the decelerated growth in the first quarter of 2020. On the positive side, the economy was supported by strong agricultural activities that strengthened to 4.9 percent in the first quarter of 2020 from 4.7 percent over the same period in 2019. A resilient non-agriculture sector also supported growth, despite a slowdown to 5.2 percent from 5.9 percent over the period under review.

(f) The agriculture sector grew by 4.9 percent in the first quarter of 2020 compared to a growth of 4.7 percent in the same period in 2019 supported by favorable weather conditions. Tea production and cane deliveries grew by 49.2 percent and 10.2 percent, respectively in the first quarter of 2020 relative to 2019. However, the production of coffee and formal milk intake declined by 11.8 percent and 1.2 percent over the same period

(g) The first quarter of 2020 recorded strong growth in earnings from agricultural exports. Earnings from the exports of fruits, cut flowers, coffee, tea and vegetables grew by 128.8 percent, 112.4 percent, 94.8 percent, 56.6 percent and 29.6 percent in the quarter under review relative to the same quarter of 2019

(h)

(i) 3.3 Medium Term Expenditure Framework

(j) To strengthen its fiscal responsibility, the county will put in place the following measures to enhance revenue collection, expenditure management and budget control.

(k) Revenue enhancing measures:

(l) The county intend to expand the valuation roll. This will include other areas which have been recently surveyed e.g mpeketoni, witu, Faza and Hindi. This will increase revenue for that stream by approximately 50% in the next five years.

(m) The county intends to enact legislation of county revenue laws e.g. liquor licensing, hotel levies & charges and quarrying in the financial year 2020/2021. This will increase revenue by approximately 30% in the year 2020/2021.

(n) The county will automate and integrate all revenue systems with the county bank accounts. This will increase revenue by approximately 20% in the year 2020/2021.

(o) The county shall improve enforcement of revenue collection which in return increases revenue by approximately 5% in 2020/2021.

(p) Another measure to improve own source revenue will be through the provision of tax waivers to rate payers. This will be expected to increase revenue by 10 % in 2020/2021.

(q) 3.3.2 Expenditure management and budgetary control

(r) The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.

(s) Proper management of assets – The County will ensure tagging of all its assets and establish an all-inclusive register.

(t) Lamu County will adopt GIS-based project mapping technology in order to locate projects and assets in real time to avoid duplication.

Strict adherence to PFMA and other relevant laws like procurement laws. This will avoid wastages in procurement, over expenditure and nugatory payments

County shall operationalize Internal Audit Committee to strengthen the Internal Audit function in an effort to enhance prudent financial management.

In addition to the above measures, the county should fully implement the CIMES in order to effectively monitor projects and evaluate their implementation.

3.4 Risks to the Outlook

The risk to outlook includes the following

National risks

This macroeconomic outlook is not without risks from both external and domestic sources.

Risks from the global economies relate to persistence of the Covid-19 pandemic and

required lockdowns, voluntary social distancing and its effect on consumption, the ability of laid off workers securing employment in other sectors, rising operating cost to make work places more hygienic and safe, reconfiguration of disrupted global supply chains, extent of cross-border spill overs occasioned by weaker external demand and funding shortfalls. 104. On the domestic front, risks will emanate from weaker external demand, reduced tourist arrivals due the Covid-19 fears and restrictions and further restrictions of movement should they become necessary to control the surge in infections. In addition, the economy will continue to be exposed to risks arising from public expenditure pressures, particularly wage related recurrent expenditures and the erratic weather related shocks that could have negative impact on energy generation and agricultural output leading to higher inflation that could slow down growth.

The main risks to the foreign exchange market in 2020 relate to continued uncertainties occasioned by the Covid-19 pandemic. Nevertheless, the official foreign exchange reserves, at 5.9 months of import cover in June 2020, will continue to provide an adequate buffer against short term shocks in the foreign exchange market.

The Government is continually monitoring these risks and taking appropriate monetary and fiscal policy measures to preserve macroeconomic stability and strengthen resilience in the economy. To cushion the country against the downsides of the risks emanating from the Covid19 pandemic, the Government is implementing an 8-point Economic Stimulus Package to protect lives and livelihoods. The Government is also planning a Post Covid-19 Economic Recovery Strategy to return the economy on a stable growth path. Additionally, the diversified nature of our economy continues to offer resilience to any global challenges.

On risks emanating from domestic sources, the Government has laid foundations to enhance faster and lasting growth through the “Big Four” Plan, which will unlock better growth, and positively impact on the lives of people through jobs creation and poverty reduction. As such, the Government is expanding irrigation schemes to reduce dependence on rain-fed agriculture, diversifying exports and promoting value addition in agriculture. Further, the Government is accelerating infrastructure development to support manufacturing and expand intra-regional trade by deliberately targeting new markets for our products. Finally, the ongoing enhanced domestic resource mobilization and expenditure rationalization will significantly reduce wage related pressures and reduce debt accumulation thus creating fiscal space necessary for economic sustainability.

County Risks to the Outlook

The high wage bill continues to be a major challenge in the implementation of the budget. The projected personnel emoluments for the FY 2021/22 financial year stands at 39% of the overall county budget which is 4% way above the statutory requirement of 35%. The

County Government inherited staff from the national government in addition to the staff from the defunct Local authority. The recent Salaries and Remuneration Commission’s review of salaries and the allowances for the staff is expected to increase the already bloated wage bill.

Non timely disbursement of funds by the national government will be another challenge as this could lead to disruption in the activities of the County and compromise service delivery.

The covid 19 pandemic will continue to pose as a challenge.

In the event, the above risks materialize; the Macro Framework and the Medium Term

Sector Ceilings shall be revised in the 2021 County fiscal strategy paper

4.0 RESOURCE ALLOCATION FRAMEWORK

This section establishes the resource envelope the county expects and how it will be allocated across all the sectors for 2021/22 FY and MTEF.

4.1 Adjustment to the FY 2020/21 Budget

The Medium Term Fiscal Framework (MTFF) for the FY 2020/21 emphasizes on efficiency and effectiveness of public spending and improving revenue collection to stimulate and sustain economic activities, mitigate the adverse impact of COVID-19 pandemic on the economy and re-position the economy on a steady and sustainable growth trajectory.

The Lamu county treasury will make adjustments to the 2020/2021 FY Budget taking into consideration the changes made as a result of the reduction in the amount as was allocated in the County Allocation of Revenue Bill 2020 as was tabled in senate on April 2020 and what was actually passed by senate after three months of negotiations. The county will have to reduce its budget by Kshs 158,250,000.00.

The county treasury will also appropriate monies to offset the pending bills amounting to approximately KShs 295,501,242.20. This will be accompanied pre-validation session to determine authenticity of the bills and ensure that only vendors/contractors who have genuinely rendered services to the county are paid.

The current wage bill will be reviewed by establishing the actual number of contracted and permanent staff, identifying existing staffing gaps with a view of filling the gaps in the staff establishment in the subsequent financial years. Any review of salaries and benefits for the personnel continues to be conducted by the Salaries and Remunerations Commission (SRC) in accordance with Article 230 of the Constitution and Regulations.

However, all county departments will be required to optimally use their existing human resources to discharge their respective mandate.

On the Revenue side, the County Treasury is expected to institute corrective measures to curb the revenue leakages. Options could include enhanced compliance and automation. The county will also be introducing a new stream of revenue with the enactment of the liquor act 2019.

Departments are expected to prioritize their expenditure and reallocate funds as per their expenditure during the preparation of the supplementary budget guided by the resource availability.

B. FY 2021/22 Budget Framework

The FY 2021/22 budget framework builds up on the Government's efforts through the Economic Stimulus Programme and the Post Covid-19 Economic Recovery Strategy to stimulate and sustain economic activities, mitigate the adverse impact of COVID-19 pandemic on the economy and re-position the economy on a steady and sustainable growth trajectory. This is in addition to expenditure rationalization and revenue mobilization programmes that the Government has been implementing.

C. Medium Term Fiscal Projections

Going forward, and in view of the limited resources, MTEF budgeting will entail adjusting non-priority expenditures to cater for the priority sectors. In the Meantime, the resource allocation will be based on the Annual Development Plan and the Fiscal Strategy Paper.

The priority social sectors will continue to receive adequate resources in the budget and are required to utilize the allocated resources more efficiently to generate fiscal space to accommodate other strategic interventions in their sectors.

The priority programmes to be implemented in the 2019/20 are expected to accelerate

economic activities and socio-economic development through;

a) Investing in quality and accessible Health Care

b) Youth, Sports & Gender empowerment

c) Provision of Quality Education

d) Water & Transport Infrastructure Development

e) Improved Land Services

The composition of expenditure will focus on productive capital projects and priority commitments, while protecting budgetary allocations to social sectors, namely; education, health and social protection. The FY 2021/22 MTEF Budget will therefore focus on the following; Employment creation and youth empowerment, improving infrastructure connectivity across the country; Enhancing social welfare programmes in health, education and social protection. The resources earmarked for strategic interventions in the areas of social welfare and youth empowerment will be ring-fenced over the medium term.

Particular emphasis will be placed on:

- Increasing efficiency, effectiveness and accountability of public spending;
- Containing the growth of recurrent expenditure in favour of capital investment; and
- Ensuring capital expenditures are thoroughly scrutinized and aligned with “the Big Four” Plan, CIDP and strategic policy interventions by the Government.

D. Medium-Term Expenditure Framework

The Government will continue with its policy of expenditure prioritization with a view to achieving the transformative development agenda which is anchored on provision of core services, ensuring equity and minimizing costs through the elimination of duplication and inefficiencies, implementation of the constitution, creation of employment opportunities and improving the general welfare of the people.

Reflecting the above medium-term expenditure framework, the tables below provides the tentative projected baseline ceilings for the 2021 MTEF, classified by Departments

Table 7 Revenue Projections

Revenue steam	Budgeted 2019/20	actual 2019/20	2020/21	Projection 2021/22	Projection 2022/23	Projection 2023/24
Equitable share	2,595,300,000	2,595,300,000	2,595,300,000	3,105,650,000	3,260,932,500	3,423,979,125
Local revenue	100,000,000	108,756,520	100,000,000	110,000,000	110,250,000	115,762,500
Grants Contained in the CARA						
Road Maintenance Fuel Levy Fund	73,669,313	73,669,313	82,069,411	86,172,882	90,481,526	95,005,602
Kenya Devolution Support Programme (KDSP)	32,258,653	30,000,000	45,000,000	0	0	0
Compensation for User Fee Foregone	2,451,034	2,451,034	2,451,034	2,451,034	2,573,586	2,702,265
DANIDA Grant	10,593,750	14,548,750	7,380,000	7,749,000	8,136,450	8,543,273
Supplement for Construction of County Headquarters	121,000,000	0	50,000,000	0	0	0
Development of Youth Polytechniques	41,298,298	41,298,298	50,299,894	52,814,889	55,455,633	58,228,415
World Bank Loan for Transforming Health System for universal Care Project	44,679,843	34,402,667	131,761,634	138,349,716	145,267,201	152,530,562
Kenya Climate Smart Agriculture project	157,507,010	112,741,878	257,872,086	270,765,690	284,303,975	298,519,174
Kenya Urban Support Program (KUSP)-World bank urban institutional grant (UIG)	8,800,000	8,800,000	0	0	0	0
Agricultre sector development programme(ASDSP)	14,265,997	9,882,997	11,343,998	11,911,198	12,506,758	13,132,096
COVID - 19 GRANT	0	13,682,000	0	0	0	0
FRONTLINERS HEALTH WORKERS ALLOWANCES	0	20,325,000	0	0	0	0
Kenya Urban Support Program (KUSP)-World bank	50,000,000	35,761,940	0	50,000,000	52,500,000	55,125,000
GRAND TOTAL	3,251,823,898	3,101,620,396	3,333,478,057	3,835,864,408	4,022,407,629	4,223,528,010

Table 8 Summary of Indicative Sector Ceilings for FY 2021/22 MTEF

NO.	DEPARTMENT	RECURRENT BUDGET	DEVELOPMENT BUDGET	RECURRENT BUDGET	DEVELOPMENT BUDGET	RECURRENT BUDGET	DEVELOPMENT BUDGET
		APPROVED ESTIMATE	APPROVED ESTIMATE	Approved 2020-21		PROPOSED 2021-22	
1	ASSEMBLY	405,000,000.00	195,000,000.00	400,000,000	120,000,000	405,000,000	10,000,000
2	CE	427,691,594.00	246,685,384.00	332,684,123	111,000,000	319,318,329	30,000,000
3	FINANCE	101,367,686.00	4,100,000.00	118,119,636	0	124,025,618	0
4	AGRICULTURE	117,155,856.00	169,901,632.00	108,722,086	260,582,998	114,258,190	217,255,083
5	LANDS	34,501,163.00	140,646,644.00	26,138,961	96,631,144	26,661,740	100,000,000
6	EDUCATION	257,451,209.00	179,612,618.00	211,416,690	112,789,498	215,645,024	80,210,000
7	HEALTH	914,332,589.00	336,241,284.00	990,952,933	295,442,576	1,010,771,992	200,000,000
8	TRADE	25,995,616.00	27,900,000.00	20,288,306	17,500,000	20,694,072	20,500,000
9	LIVESTOCK	37,984,244.00	43,017,253.00	38,107,192	14,992,582	38,869,336	20,500,000
10	PSB	45,217,320.00	0.00	45,155,096	0	43,058,198	0
11	WATER	27,041,449.00	182,672,073.00	24,834,570	204,000,000	25,331,261	332,951,318
12	YOUTH	25,019,132.00	124,796,840.00	23,757,400	69,500,000	24,232,548	72,000,000
13	PUBLIC HEALTH	86,274,460.00	31,581,390.00	62,315,296	6,000,000	63,561,602	24,000,000
14	FISHERIES	33,852,020.00	37,098,203.00	32,882,174	12,000,000	33,539,817	20,000,000
15	BUDGET	19,949,480.00	0.00			0	
16	INFRASTRUCTURE	43,316,204.00	262,876,289.00	34,116,205	180,069,411	34,798,529	131,000,000
17	MUNICIPALITY	53,790,000.00	98,247,400.00	32,077,858	5,000,000	18,681,751	59,000,000
GRAND TOTAL		2,655,940,022.00	2,080,377,010.00	2,501,568,526.00	1,505,508,209.00	2,513,948,007.61	1,317,416,401.00

4.1.1 Expenditure Forecasts

Table 9 indicates the projections for expenditure in the FY 2021/22 and in the medium term period.

Table 9: Summary of Expenditure Projections for FY 2020/21 and MTEF in Million KShs

Expenditure classification	Budgeted	Projected Expenditures			
	2020/21	2021/22	2022/23	2023/25	%
Personnel Emoluments	1,431,498,373.00	1,493,446,491.80	1,568,118,816.39	1,646,524,757.21	39%
Operations & Maintenance	1,070,070,153.00	1,025,001,515.81	1,071,001,591.60	1,124,551,671.18	27%
Development	1,505,508,209.00	1,317,416,401.00	1,383,287,221.05	1,452,451,582.10	34%
Total	4,007,076,735.00	3,835,864,408.61	4,022,407,629.04	4,223,528,010.49	100%

4.2 Projected Fiscal Balance

The proposed 2021/22 county budget is balanced, but however, any shortfall in revenue that may occur within the year will be addressed through supplementary or borrowing within the borrowing framework by sub-nationals as approved by the Intergovernmental Budget and Economic Forum (IBEC).

5.0 CONCLUSION AND NEXT STEPS

The FY 2021/22 and the medium term budget is being prepared against the backdrop of a slowdown in the growth of the global and national economy. The Pandemic and the attendant containment measures has led to contraction of the global economy disrupting businesses including international trade and leading to loss of livelihoods for millions of people globally. Kenya has not been spared. The Pandemic and the containment measures have not only disrupted our ways of lives and livelihoods, but to a greater extent business. Consequently, the economy is projected to slow down to 2.6 percent in 2020 from the 5.4 percent registered in 2019. To cushion citizens and businesses from the adverse effects of Covid-19 Pandemic and stimulate economic recovery, the Government will continue to implement measures in the context of the Economic Stimulus Programme and the Post Covid-19 Economic Recovery Strategy.

Given the tight resource constraints amidst significant revenue shortfalls occasioned by the adverse effects of the Covid-19 Pandemic, the County Government of Lamu will continue to ensure proper prioritization of public expenditures to the most impactful programmes with highest welfare benefits to Kenyans. As such, in the FY 2021/22 budget, special focus will be placed on the achievement of the “HE Governor manifesto as stipulated in various county planning documents. Equally, emphasis will be on strategic interventions under the Post Covid19 Economic Recovery Strategy that will further re-position the economy on a steady and sustainable growth trajectory. Thus, all Departments are required to adhere to the hard sector ceilings, and the strict deadlines provided in this document to facilitate the finalization and appropriation of the FY 2021/22 and the medium term budget. The resource envelope and ceilings for each Department provided in this Budget Review and Outlook Paper will form inputs into the next County Fiscal Strategy paper , which will be finalized by mid-February 2021.

Annex 1: Budget Calendar for the 2021/22 Budget

Document	Contents of the Document	Date Due in the County Assembly	Deadline for Action by the County Assembly	Rationale for Public Release	Publication Information/ Input by the Public
Budget Circular	<ul style="list-style-type: none"> Timelines for various activities; Procedures for review and projection of revenues and expenditures; Key policy areas to be taken into consideration; Procedures for public consultation; and Format for budget documentation 	30 th August 2020	For the information of members especially in scheduling their annual calendar	The document is critical for the public to know when, where and how to participate in the budget process	To be publicized within 7 days of publication
County Annual Development Plans1	<ul style="list-style-type: none"> Strategic priorities for the medium term; Programmes to be delivered; Significant capital expenditure; and Grants, transfers and subsidies to be made on behalf of County Governments. 	1 st September 2020	No date provided but should be within 14 days Action: To debate and approve with or without amendments	<p>The plans will go through three main stages</p> <ol style="list-style-type: none"> Formulation by the County Planning Unit Approval by the County Executive Tabling and approval in the County Assembly <p>In each of these stages there is need to share with the public the documents whether as draft especially in stage (a) and (b)</p>	14 days before adoption in the County Executive and then tabling in the CA To be publicized within 7 days of tabling in the CA
County Budget Review and Outlook Paper (CBROP)	<ul style="list-style-type: none"> Actual fiscal performance in the previous year; Updated economic and financial forecasts from the recent Budget Policy Statement; Identification of broad policy priorities to be implemented by the CG in the medium term; Provide indicative available resources (i.e. ceilings) to fund CG priorities-in consultation with CRA and the National Treasury; and Reasons for any deviations from the financial objectives in the CFSP 	14 th October 2019	Action: For Information of Members	The County Treasury will prepare the BROP and it is important that before they table it in the County Executive the Public be given an opportunity to comment. Thereafter when the final document is approved and tabled in the County Assembly it should also be published and publicized within 7 days	14 days before tabling in the County Executive committee (with 7 days allowed for input) To be publicized within 7 days of tabling in the CA

Document	Contents of the Document	Date Due in the County Assembly	Deadline for Action by the County Assembly	Rationale for Public Release	Publication Information/ Input by the Public
County Fiscal Strategy Paper (CFSP)	<ul style="list-style-type: none"> Broad strategic priorities and policy goals-medium term and long term. Outlook on expenditures, revenues and borrowing for the medium term 	28 th February 2021	15 March 2019 Action: To debate and approve	There is need that before the County Executive approves it that the public be given an opportunity to input. Thereafter when it is tabled in the County Assembly it should be made public Finally what the County Assembly approves (with or without amendments) should be made public too for greater certainty	7 days before tabling in the County Executive To be publicized 7 days after tabling in the CA
Debt Management Strategy	(a) the total stock of debt as at the date of the statement; (b) the sources of loans made to the county government; (c) the principal risks associated with those loans; (d) the assumptions underlying the debt management strategy; and (e) An analysis of the sustainability of the amount of debt, both actual and potential.	28 th February 2021	Action: For information of members in decision making on the liabilities of the county	It is important that the public know the debt obligations facing them and what strategies the county is taking to address them	
Budget Estimates (Revenue and Expenditure) Appropriation Bill	Details of all planned development and recurrent expenditures of the government. Also the estimated revenues by source and explanation of strategies for deficit financing	30 April 2021	30 June Action: To debate and approve with or without amendments. To pass the appropriations bill to authorize withdrawals from the County Revenue Fund	The public need to see what is tabled in the County Assembly. This should also be complemented by clear dates (Not later than May 30) as to when the public can give feedback to the departmental committees (on sector specific matters) or to the Budget and Appropriation Committee	7 days after tabling in the CA with 14 days of public input
Budget and Appropriation Act	Same as above	By 30 June 2021		Once all has been discussed and the final budget approved it should be made public via the appropriations act and detailed programme/itemized budget documents on the day it is approved but not later than 7 days	To be publicized 7 days after approval in the County Assembly
Supplementary Budget Documents	Revised Budget Estimates	On needs basis		All supplementary budget estimates and the rationale for the same should be availed before they are tabled in the respective	14 days before tabling in the CA and 7 days after tabling in the CA

Document	Contents of the Document	Date Due in the County Assembly	Deadline for Action by the County Assembly	Rationale for Public Release	Publication Information/ Input by the Public
				CA and thereafter when they are tabled in the house	
Finance Bill and Act	Taxation and other revenue raising measures of the county government	30 September (Within 90 Days)	Action: To debate and approve with or without amendments	There is need that the public have an opportunity to input into the Finance Bill before it is tabled at the County Assembly; Further the public should also be allowed space by the Finance Committee to contribute before the respective house approves it	14 days before tabling in the CA and 7 days after approval in the CA
Expenditure Review Reports	An in-depth analysis on specific sectors to establish the progress (or lack of it) by the county	No Specific Date	Action: For information of members		
Audit Reports	An independent opinion on the use of public funds in the county (both the County Executive and County Assembly)	31 December	2 months Action: To debate and decide on what actions should be taken		