



COUNTY GOVERNMENT OF KISUMU

**KISUMU COUNTY FISCAL STRATEGY PAPER
FY 2021/2022**

THEME: *Towards a peaceful and prosperous county.*

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1.0 CHAPTER ONE
FISCAL RESPONSIBILITY PRINCIPLES AND LEGAL BASIS FOR CFSP

DRAFT KCFSP 2021/2022 FY

1.1 INTRODUCTION

The county government is responsible for spearheading development and service delivery in the county through a process that links planning and budgeting as stipulated in the County Government Act 2012. Section 117 of the PFM Act outlines responsibilities of county governments with respect to the County Budget Process.

This Fiscal Strategy Paper identifies the broad strategic priorities and policy goals that will guide the county in preparing its budget for Financial Year 2021/2022. The paper discusses the performance of the Financial Year 2019/2020 budget which forms the basis for projecting the financial outlook with respect to the County Government revenues and expenditures for financial year 2021/2022.

The Public Finance Management Act, 2012 stipulates that county governments prepare and submit a County Fiscal Strategy Paper (CFSP) to the County Assembly by the 28th February of each year.

The County Fiscal Strategy Paper covers the following:

- The legal basis for the fiscal strategy paper; and fiscal responsibility principles for the government;
- A review of sector performance for the previous financial year 2019/2020 and budget implementation for the first half of the current financial year (2020/2021).
- The recent economic developments and policy outlook thus providing the economic context for the 2021/22 budget.
- The budget framework that will support growth over the medium term, while continuing to pursue seamless resource flow and management.
- The resource envelope and spending priorities for the proposed 2021/2022 budget. (i.e. expenditure ceilings)

1.2 LEGAL BASIS FOR THE PUBLICATION OF THE FISCAL STRATEGY PAPER

This Fiscal Strategy Paper is prepared pursuant to Public Finance Management Act, 2012 Section 117 which stipulates thus:

- (1) The County, Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year.
- (2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
- (3) In preparing the County Fiscal Strategy Paper. the County Treasury shall specify the

broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.

- (4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.
- (5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of —
 - the Commission on Revenue Allocation;
 - the public;
 - any interested persons or groups; and
 - any other forum that is established by legislation.
- (6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments.
- (7) The County Treasury shall consider any recommendations made by the county assembly when finalizing the budget proposal for the financial year concerned.

1.3 FISCAL RESPONSIBILITY PRINCIPLES FOR THE NATIONAL AND COUNTY GOVERNMENTS

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

- (1) A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.
- (2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles-
 - (a) The county government's recurrent expenditure shall not exceed the county government's total revenue;
 - (b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
 - (c) The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county

- government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;
- (d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
 - (e) The county debt shall be maintained at a sustainable level as approved by county assembly;
 - (f) The fiscal risks shall be managed prudently; and
 - (g) A reasonable degree of predictability with respect to the level of tax 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 borrowings 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 revenues 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.

1.4 OVERVIEW OF THE COUNTY FISCAL STRATEGY PAPER

The County fiscal strategy paper provides information on the county government spending and revenue collection for 2020/2021 that will inform the 2021/2022 budget proposals. It makes projections of overall revenue and expenditure for the 2021/2022 financial year and comes up with sector ceilings.

In order to achieve this, the paper outlines county key sector priorities for funding through the 2021/2022 budget and sets sector expenditure ceilings guided by information on revenue projections.

**2.0 CHAPTER TWO
SECTOR REVIEW AND PRIORITIES FOR 2021-2022**

DRAFT KCFSP 2021/2022 FY

2.1 SECTOR REVIEW AND PRIORITIES FOR 2021-2022

This chapter provides the county development performance and achievements in FY 2020/2021 and priority areas for the sectors in the next financial year FY 2021/2022 according to the thematic areas in the second-generation County Integrated Development Plan II (2018-2022). The thematic/sectors areas are: Agriculture, Lands and physical planning, Energy, Infrastructure, Urban development and ICT, General Economics and Commercial Affairs (GECA), Health, Education, Governance, Public Administration and Inter-governmental Relations, Social Protection, Culture and Recreation and Environmental Protection, Water and Natural Resources.

2.2 AGRICULTURE, IRRIGATION, LIVESTOCK AND FISHERIES

The department is charged with the mandate of implementing policies and projects to help revitalize the Agricultural, livestock and fisheries sector. The department is structured into four directorates namely:

- a) Crop Production
- b) Irrigation
- c) Livestock Production
- d) Veterinary and Fisheries

Through the directorates, the department continues to implement programs that support small-holder farmers, youth, women and fisher folk to sustainably produce and market various commodities for increased food security, income generation and improved livelihoods.

The Objective is to make Kisumu a food secure County and reduce over dependence on food from neighboring countries like Uganda.

The major achievements, the department undertook key interventions, including Agricultural materials, dredging and rehabilitation of irrigation schemes, Mboha Valley and Nyamthoe flagship projects, Livestock projects, livestock disease Control and fisheries development among others that will result in reduction in cost of living particularly by reducing food prices and boosting overall rural development.

The department had a development allocation of **Kshs.167. 36M**. Out of this allocation, the total development expenditure during the year under review was **Kshs.116.03M** representing absorption rate of **69.3%**

The key priorities for the sector will be:

- i. Planning and Coordination Services- Drafting of bills for legislation.
- ii. Development of Human Resources- Recruitment of Staffs.
- iii. Promotion of Soil and Water conservation and Management- Laying of soil and water conservation structures; Promotion of farm forestry by distributing fruit tree seedlings;
- iv. Development of urban, peri- urban and special agriculture projects- Dissemination of urban and peri- urban agricultural technologies through setting up demonstrations in Urban Centers, Purchase and distribution of solar water pumps for farmers within Nyalenda B, Kisumu West and Masogo Nyang'oma; Construction of dykes along

- River Nyamasaria and River Oroba in Nyalenda B and Miwani Wards; Construction of Water pan at Tido, Kanyagwara, Wadhawa and Kanyaguda in Kolwa East and North Seme Wards; Rehabilitation of Irrigation Infrastructure at Asunda rice scheme in Ombeyi Ward.
- v. Management of Agriculture Advisory services- Dissemination of agricultural extension messages and technologies through Demonstrations, Field days, Exhibitions, Farm visits, ASK shows.
 - vi. Enhancement of extension services-Dissemination of agricultural extension messages and technologies thro Demonstrations, Field days, Exhibitions, Farm visits, ASK shows
 - vii. Development of crop value chains- Clean planting materials to be procured and distributed (Rice, Vegetables, Cotton, Sorghum, cassava, Maize and Beans, Fodder seeds) in Kobura,North Nyakach,Kolwa East,East Kano Wawidhi,Ombeyi,Nyalenda B,West Nyakach,Central Nyakach,Awasi Onjiko,Kajulu,West Kisumu,North West Kisumu,West Seme,East Seme,Masogo Nyangoma;
 - viii. Development of Livestock value chains-Procurement and distribution of Livestock for farmers in Miwani, Masogo Nyang'oma, North Seme, Awasi Onjiko, Manyatta B, Kajulu, Migosi, Kaloleni Shaurimoyo, Market milimani and Kondele Wards.
 - ix. Development of fisheries value chains- Procurement and distribution of fish feeds, cages, Fingerlings Countywide.
 - x. Development of Agriculture Mechanization- Procurement of tractors and implements for farmers within the County
 - xi. Pests and Diseases-Procurement of vaccines, acaricides and insecticides
 - xii. Agriculture Credit Access-Establishment of a fund to offer affordable credit for agricultural development.
 - xiii. Agriculture input Access- Procurement of bull semen, liquid nitrogen and synchronizingHormone; Fertilizer subsidy.
 - xiv. Promotion of Agribusiness- Construction of Agricultural resource center in Chemelil, Renovation of Maseno ATC; Construction of livestock Cattle dips; Purchase of incubation units(incubators) and poultry management equipment
 - xv. Promotion value addition- Construction of Dairy processing and training plant in South East Onyekachi Ward.

In order to realize these, the County Government needs to allocate **Kshs539.2M** to this sector in 2021/2022 FY.

2.3 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 2020/2021 FY, CFSP 2020 FY, CAPR 2019 FY, development of CBROP (2020/2021), Budget Estimate (2020/2021), and Finance Bill (2020/2021).

Finance department had a development allocation of **Kshs.1,731.35M**. Out of this allocation, the total development expenditure during the year under review was **Kshs.1560.67M** representing an absorption rate of **90.2%**.

The department intends to focus on utilizing County financial resources and manage its assets more efficiently and effectively, enhancing revenue collection through implementation of the Valuation Roll, enhance community participation in project management by developing Kisumu County Public Participation Policy for focal guidelines and in coordination with the County Assembly to produce a corresponding County legislation, capacity building on public participation, completion of Sub-County planning and documentation centers as well as conducting a prerequisite survey of relevant stakeholders and a constantly updated database of citizens and all probable Public Participation participants and conduct a baseline survey to provide data (statistics) to be used in formulation of evidence-based policies.

In order to realize these, the County Government needs to allocate **Kshs2.16B** to this sector in 2021/2022 FY.

2.4 BUSINESS, CO-OPERATIVES AND MARKETING

The department is charged with promotion of business and trade in the county. It is also mandated to oversee establishment and growth of cooperative societies.

This department is the engine that drives the County's economic growth through the creation of conducive business environment and development of policies to help catalyze expansion of Micro and Small Enterprises (MSEs)

The major achievements of this department during the last FY included: Completion of Kombewa Modern Retail Market, commissioning of Awasi Modern Retail market, constructions of market sheds, stalls, toilets, murraming and fencing markets, offering support traders' hatcheries and leather machines.

This department had a development allocation of **Kshs.156.75M**. Out of this allocation, the total development expenditure during the year under review was **Kshs.45.70M** representing an absorption rate of **29.2%**.

Going forward, the department has prioritized the following development projects in the FY 2021/2022:

- i. Market Development-Emphasis will be on Construction of modern markets, stalls market sheds and market offices;Murraming, fencing, gating and renovations;Construction of modern toilets and ablution blocks in markets;
- ii. Business Development-the department intends to focus on construction of additional boda boda sheds to develop this business sector and enhance revenue collection.
- iii. Trade Fund-Emphasis will be put on giving traders and entrepreneurs' loans which will be made easily accessible to support their businesses.
- iv. Capacity building-Training of traders and entrepreneurs to enhance their knowledge on business.
- v. Trade fairs and exhibitions-Organizing and attending trade fairs and exhibitions for traders and entrepreneurs across the County.
- vi. MSEs Data Bank-Developing a comprehensive data bank for all MSEs in the County.
- vii. Verifications of weighing and measuring equipment-Verifications of weighing and measuring equipment used for trade in all the sub counties.
- viii. Inspections and enforcement-Inspections and enforcement in relation to Weights & Measures Act and Trade Descriptions Act.
- ix. Public education-Training and educating the general public from Kisumu county on business standards required.
- x. Mobile Verification Unit-Procurement of a mobile verification unit.
- xi. Business Clinic Centre-A One Stop Centre offering business support services and linkages to the ecosystem in the whole County.
- xii. Construction and operationalization of a secure centre for collection and storage of bananas at Chulaimbo.
- xiii. Purchase and distribution of the hatcheries to women and youth groups in business in Muhoroni/Koru, Kajulu, Railways and Migosi Ward.
- xiv. Construction & operationalization of cassava and arrowroot processing plants in Masogo/Nyang'oma and Ahero Ward
- xv. Fruit processing plants-Setting up and operationalization of fruit processing plants in Chemelil and Kajulu Wards.
- xvi. Construction and fencing of coffee drying beds-Constructing coffee drying beds and fencing of Soko Kahawa milling in S.E. Nyakach Ward.
- xvii. Provision of value addition machineries-Provision of grain driers and cold storage rooms to MSEs in agribusiness (Awasi Onjiko, Kobura & Ahero Ward)
- xviii. Construction of fish processing plant-Construction of fish processing plant along the lake at Obange Beach in Kabonyo/Kanyagwal Ward.
- xix. Construction of a ginnery-Setting up and operationalizing of a ginnery plant in Kobura Ward.

- xx. Carwash machines-Provision of carwash machines to youth and women groups in Railways Ward.
- xxi. Solar Panel and Lamps-Provision of Solar Panel and Lamps for Small Scale Traders in Kaloleni Shauri Moyo Ward.
- xxii. Establishment of a business innovation & Incubation Centre-Establishment & Operationalization of business innovation & incubation centre in Dunga, Nyalenda B Ward.
- xxiii. Establishment of a soap processing plant-Establishment and operationalization of a soap processing plant in Nyalenda B ward.
- xxiv. Fish market expansion and equipping-Provision of cold room and expansion of fish market within Market Milimani Ward.

The County Government therefore needs to allocate **Kshs.180.7M** to this sector in the FY 2021/2022 to enable the department realize its goals.

2.5 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 programs on lands, housing physical planning and urban development, provide guidance for sustainable orderly development, setting County standards for sustainable land use and development.

The department has formed a special task force on Irregular allocation of Public Land & Houses in 2008 which completed its report that is now at the Cabinet level awaiting formal adoption and implementation. It has also managed to acquire land for waste management services which will take and manage all the wastes from the City and all Urban Centers within the County thereby ensuring healthy clean environment within the urban set ups. Furthermore, the department also managed to gazette and establish 5 new towns of Ahero, Maseno, Kombewa, Katito and Muhoroni, so far Maseno and Ahero have been unveiled.

The department had a development allocation of **Kshs.90. 23M**. Out of this allocation, the total development expenditure during the year under review was **Kshs.47.38M** representing an absorption rate of **52.5%**.

Moving forward, the department intends to focus on the following during 2021/2022 FY:

- i. Land bank -Purchase of parcels of land for implementation of development projects within the County.
- ii. Advisory Plans, Surveying & Mapping for Markets-Survey of Public lands/markets
- iii. Repossession and Recovery of grabbed public land-Repossession and Recovery of grabbed public land County wide.

- iv. Local Physical Development & Land Use Plans-Preparation of Physical Development Plans (Planning of Awasi, Pap Onditi, Dago, Akieyi) and Spatial Planning of the entire County.
- v. Development Control-Establish e-construction permit and Authentication as well as approval of unapproved developments County wide.
- vi. Land Information Management System-Establish LIMS
- vii. Urban Infrastructure-Acquisition and mapping of service reserves for water and sewer lines in Nyalenda A and Railways Wards,Construction of Sewer and waterlines in Kondele Ward.
- viii. Establishment of Towns-Set up town management boards in Maseno, Ahero, Muhoroni, Kombewa and Katito.
- ix. Housing-Construction of affordable houses and Renovation of Institutional Houses within the County.

The County Government needs to allocate **Kshs.157.2M** to this sector in FY 2021/2022.

2.6 WATER, ENVIRONMENT, NATURAL RESOURCES AND CLIMATE CHANGE.

The department's main mandate is to ensure the people of Kisumu County have access to durable and safe water. It is also meant to develop new water infrastructure, rehabilitation and augmentation of existing water supplies, capacity building for members of water management committee for sustainable management of the projects. Its other mandate is to develop policies for efficient and effective water service provision in the County. It has five directorates namely; Conservation and stewardship, Environmental Research, Policy and strategy, Climate Change, Water infrastructure, Water and Sewerage services.

Key Achievements of the Department included; increased access to water services from 58% to 62%, increased storage per capita/day from 8 liters to 12 liters, reduced non-revenue water from 45% to 40%, Rehabilitation and expansion of Maseno Kombewa water Supply treatment works.

The department had a development allocation of **228. 44M.Out** of this allocation, the total development expenditure during the year under review was **117.22M** representing an absorption rate of **51.3%**.

Moving forward, the department intends to emphasize on the following during 2021/2022 FY:

Under solid waste management sub sector, the department will focus on purchase and distribution of litter bins /waste disposal bins at strategic locations within the County, provision of waste collection skips at various markets and towns in the county, landscaping and construction of a Go down and accessories for waste to energy /waste to wealthy facility, Phase 2 construction of waste transfer stations in 4 busy markets within the County(Onyekachi, Seme, Kisumu and Ahero) markets to improve on sanitation , Purchase two 18,000 liters capacity Waste Compactor haulage truck, research and implementation of low cost innovation

technologies on sewerage networks in 5 urban centers (Maseno, Kombewa, Muhoroni, Katito and Ahero)

Under Afforestation, landscape re-vegetation, conservation and beautification of public spaces sub-sector, the department intends to; Contract and produce assorted tree seedlings in tree nurseries, establish new tree nurseries in sub-counties, plant rows of flowers and ornamental trees in selected road sides, protect river banks by planting vegetation, plant vegetation and rehabilitate gullies and river banks in various points in the county.

Under Noise and air pollution sub-sector, the department intends to; Carry out noise and air pollution control education and surveillance in all wards and Purchase and calibrate 4 noise meters and air pollution meters.

Under Enforcement Environment safeguard and governance Processes sub-sector, the department intends to; Sensitize stakeholders on safeguards and establish safeguard information system at county level, Strengthen ESIA activities within county projects and forest resources conservation, carry out environmental education for conservation and sustainable development, development of County Environment Action Plan (CEAP 2020-20250).

Under Mining resources management and efficient development sub-sector, the department intends to develop an inventory of minerals within Kisumu County.

Under Climate change sub-sector, the department intends to; Develop Kisumu County Climate Change Action Plan (2018-2022), initiate climate change education in school curriculum and clubs.

Under Watersub-sector, the department intends to; Rehabilitate and expand(Maseno-Kombewa, Kisumu Rural and Nyakach) water supplies which will provide clean and safe water for the citizens to prevent water-borne diseases such as cholera and bilharzia , focus on community mobilization in Koru-Soin Dam, purchase water bowsers, employ digital GIS mapping of rural water supply system to inform planning and development, consider pipeline extension in Urban, Peri Urban and Rural areas, protect and rehabilitate viable water springs, rehabilitate stalled boreholes and pipeline extensions, drill and equip new boreholes, promote of rain water harvesting systems at institutions, increase water storage capacity in rural areas through supply and installation of plastic storage tanks to institutions and CBOs through development and connections of 5No. of 600cubic meters water storage tanks in (Seme; Kiboswa; Muhoroni and Nyakach) , desilt existing water pans, formulate of WASH(Policies, regulations, strategies, standards guidelines), development of new surface water treatment and distributions works abstracting water from river Awach in Seme Sub-County with capacity of benefiting over 3000 people, development of new surface water treatment and distributions works abstracting water from river Nyando supplying residents of(Muhoroni, Awasi and parts of Nyando) with safe water for drinking and domestic use.

In order to realize these, the County Government needs to allocate **Kshs.354.1M** to this sector in 2021/2022 FY.

2.7HEALTH AND SANITATION

The department of health and Sanitation is responsible for the devolved functions specified in the fourth schedule of the constitution of Kenya 2010 which include inter-alia County Health services namely: County Health facilities and pharmacies, ambulatory services ,promotion of primary health care, licensing and control of undertaking that sell food to the public, Veterinary services(excluding regulation of the profession),cemeteries, funeral parlors and crematoria; Refuse removal, refuse dumps and solid waste disposal. Kisumu Health sector is aligned with the Kisumu Health sector Strategic and Investment plan (2018-2023), Kenya Health Policy (2014-2030), the Governor`s Manifesto (2017), The Big Four Agenda and other written framework and legacy projects.

Some of the Key achievements of the department included Completion of surgical theatres in Muhoroni and Kombewa County Hospitals, Construction of surgical complex and casualty centers in 7 county referral hospitals (Partial achievement in Muhoroni and Kombewa Hospital theatres in use), Building and Equipping Surgical complex at JOOTRH, Building, Equipping and usage of Cancer Centre at JOOTRH, Payment of Stipends to 2720 Community Health volunteers, procurement of 10 state of the art ambulances services to ensure free emergency services, Promote Reproductive, Neonatal and child health in Kisumu Central.

The department had a development allocation of **234. 55M**.Out of this allocation, the total development expenditure during the year under review was **125.32M** representing an absorption rate of **53.4%**.

The main focus of this department will be on;

- i. Development of the Kisumu Health Sector Strategic and Investment Plan III-Development of the Strategic Plan
- ii. Development of Quality Assurance and Standards Manual-Development of Quality Assurance and Standards Manual
- iii. Annual Work Plan Development-Development of Annual Work plan for FY 2021/2022
- iv. Annual Work Plan Review-Review of the Annual Work Plan of the previous year 2020/2021
- v. NHIF contributions for the Indigent & Vulnerable economically disadvantaged bottom 30% of the Kisumu population; Department`s contribution for the indigent vulnerable economically disadvantaged bottom 30% of the Kisumu population
- vi. Formation of Quality Improvement Teams in public Hospitals and health facilities-Formation and functionalization of Quality Improvement Teams

- vii. Formation and functionalization of Medicines and Therapeutic Committees (MTC) in public Hospitals and health facilities-Formation and functionalization of the Medicines and Therapeutic Committees (MTC)
- viii. Dissemination of ISO standards for selected facilities-Dissemination and supervision of ISO standards in all hospitals.
- ix. Improvement of the Human Resources for Health Complement-Recruitment and deployment of various cadre personnel
- x. Institutionalization of the HRIS in selected Sub County Institutions-Training of selected HRIS Focal persons
- xi. Institutionalize Occupational Hazard Safety practices in public hospitals-Compliance with OSH Act 2007
- xii. Health Infrastructure-Acquisition of Title Deeds for Public Health Facilities;Drawing of facility master plans.
- xiii. Cross Cutting Issues including Climate Change-Completion of stalled Health Facility projects; Facilities adopting Green Energy in operations;
- xiv. Health Promotion and Advocacy-Public Health Promotion and Advocacy.
- xv. Environmental Health and Sanitation-Sensitization, triggering and certification on Open Defecation Free villages;Behavior change communication sessions;Development of Standard Operating Manual for Safe Fecal Sludge disposal;Construction and usage of toilet/latrines facilities in health facilities;Establishment, training and functionalization of Food Quality and Standards Control Committee;Review and approvals of Building Plans;Establishment and functionalization of Waste Management Central Coordination Units.
- xvi. Nutrition Services-Procurement of Anthropometric equipment;Establishment of Breastfeeding Resource Centers;Establishment of Model Demonstration Kitchen Gardens;Operation Research on County Nutrition.
- xvii. Community Health Services-Development of Community Health Operation Plan;Payment of Stipends to Community health Volunteers;Functionalization of community units
- xviii. Emergency Preparedness and Response-Development of Standard Operating Manual (SOM) on Referral;Development of the Health Facility Emergency Preparedness and Response Plan;
- xix. JOOTRH Services-Multi-phasic construction of the Cancer centre;Multi-phasic refurbishments of the hospital buildings.
- xx. KCRH Services-Multi-phasic refurbishment of the hospital buildings.
- xxi. County and Sub- County Hospital Services-Procurement and Commissioning of X-ray Machine for Muhoroni County Hospital;Construction and commissioning of a Mortuary at Muhoroni County Hospital;Procurement and commissioning of X-ray

- Machine for Ahero County Hospital;Construction of Mortuary at Kombewa County Hospital;Construction and commissioning of Operating Theatre at Nyakach County Hospital;Construction and commissioning of a Mortuary at Nyakach County Hospital;
- xxii. Reproductive Health Services-Conducting operation research on maternal health services;Conducting operation research on adolescent health services;
 - xxiii. Non-Communicable Disease Control Services-Conducting Cervical Cancer and other cancer screening in public health facilities;Establishment of a cancer registry with TOR;Refurbishment of the KCRH Mental and Psychological Health Unit;Establishment and functionalization of the DOHS Psychological Support Unit for civil servants;
 - xxiv. HIV & AIDS-Collation, compilation and Synthesis of all HIV&AIDS information for the County;Conducting review of the strategic plan;Conducting operation research and preparing a report;
 - xxv. Malaria-Collation, compilation and Synthesis of all Malaria information for the County;
 - xxvi. Tuberculosis-Collation, compilation and Synthesis of all TB information for the County

In order to realize its priorities, the County Government needs to allocate **Kshs3.61B** to the department in 2021/2022 FY.

2.8 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 Kisumu county public service board focuses on:

- a) Strengthening the Institutional Capacity of the Board
- b) Strengthening the County Public Service for Improved Service Delivery
- c) Enhancing Productivity of the County Public Service
- d) Promoting an Enabling Policy Environment
- e) Enhancing Public Participation and Information Sharing
- f) Promoting Public Service Values and Best Management Practices in the County.

- g) Promoting Effective Working Relationships with County and Relevant National Government Organs.

In ensuring the county government of Kisumu has adequate, skilled and competent personnel and improved service provision and access to training by County staff and other Government agencies across the Country, CPSB will focus on purchase of land for construction of the of Public School of Government.

Owing to this, the department will require an allocation of **Kshs65.2M** in FY 2021/2022.

2.9 CITY OF KISUMU

City of Kisumu in its mission to provide quality services matched by superior solutions, that result in creating enabling environment for investment, with the aim of improving the quality of life of the residents of Kisumu, the City of Kisumu installed storm water drainage facilities within the city totalling to 20Km, developed cycle foot path and souks, partial relocation and improvement of Kachok dump-site, Modernization of 5 recreational parks that is Taifa, Oile, Victoria, Uhuru and Central Parks (ongoing).

This sector had a development allocation of **Kshs.635.73M**. Out of this allocation, the total development expenditure during the year under review was **Kshs.58.53M** representing an absorption rate of **9.2%**

In FY 2021/2022 the City of Kisumu seeks to undertake the following programmes in achieving its strategic priorities:

- i. Modernize 10 markets within the city
- ii. Designate, pave and mark all street parking spaces within Kisumu City
- iii. Upgrade jua kali sheds within the City
- iv. Installation of additional storm water drainage facilities within the city
- v. Opening/improving of road and public infrastructure in informal settlements
- vi. Development and implementation of solid waste within the City wards
- vii. Beautification of open spaces, round-about and waste land management.
- viii. Modernize Kosawo Social Centre
- ix. Improvement of Water, sanitation and hygiene services provision within the city wards
- x. Renovation of Slaughter house Fencing of Mamboleo Cemetery
- xi. Installation of traffic lights within the Kisumu City CBD.
- xii. Installation of surveillance cameras within the City.
- xiii. Installation of storm water drainage facilities within the city
- xiv. Installation of traffic lights within the City
- xv. Develop cycle foot path and souks within the City
- xvi. Construction of 3 satellite bus parks within the City
- xvii. Open/improve road and public infrastructure in informal settlements

- xviii. Modernize 5 recreational parks within the City.
- xix. Monthly clean-up exercise within the City Wards.
- xx. Improvement of Water, sanitation and hygiene services provision-Provision of clean Water, sanitation and hygiene services
- xxi. Vector and Vermin control services- Procurement of fumigation machines, Fumigation, Indoor residual spraying, laticiding and screening of buildings

In order to realize its priorities, the County Government needs to allocate **Kshs464.2M.** to this department in FY 2021/2022.

2.10 COUNTY ASSEMBLY

In promoting good governance through strong representation, proactive legislation and impartial oversight under devolved system of governance, the county assembly had the following key achievements; ongoing construction of Speaker's residence.

Bills and regulation enacted by the assembly from 2019 to date

Year 2019

- i. Kisumu county roads bill, 2019
- ii. Kisumu county health bill, 2019
- iii. Kisumu county law enforcement service bill, 2019
- iv. Kisumu crop agriculture bill, 2019
- v. Kisumu county transport bill, 2019
- vi. Kisumu county fisheries and agriculture bill, 2019
- vii. Kisumu county appropriation bill, 2019

Year 2020

- 1. Kisumu county climate change bill, 2020(pending)

The County Assembly had a development allocation of **Kshs.20M.** Out of this allocation, the total development expenditure during the year under review was **Kshs.12.20M** representing an absorption rate of **61.0%.**

In FY 2021/2022, the county assembly seeks to construct an ultra-modern County Assembly building. Owing to this, the department will require an allocation of **Kshs773.8M** in FY 2021/2022.

2.11 TOURISM, CULTURE, ARTS AND SPORTS

As Kisumu county strives to be a leading tourism, culture, arts and sports destination in the country and its mission of offering high quality tourism, culture, arts and sports facilities, products and service capable of competing on the global stage, this department had the following key achievements;

- i. Establishment of Cultural resource Centre at Kit Mikayi
- ii. Fencing of Abindu Caves and Heritage Sites

- iii. Purchase of Sports gear/equipment for West Nyakach Ward
- iv. Purchase of Sports gear/equipment for Central Nyakach Ward
- v. Renovation of Hippo point.

The department had a development allocation of **Kshs.35. 50M.Out** of this allocation, the total development expenditure during the year under review was **Kshs.4.11M** representing absorption rate of **11.6%**.

In the FY 2021/2022 the department seeks to achieve the following strategic priorities;

- i. Cultural Infrastructural Development-Fencing, Gate and Equipping of Angógo art Centre; Construction of theatre hall within Boya Village; Construction of Raila Peace monument in Kondele; Construction of Okore Kogonda Shrine Memorial resource centre; Construction of Abindu Caves and heritage site.
- ii. Intangible Cultural Heritage Mapping-Developing a data base of select ICH items
- iii. Artistic talent development-County Music and Cultural Festivals; One day of each month for artistic shows;
- iv. Sports and talent Development Programs-Provision of assorted sports gears and equipment; Inter wards Sports Competitions; Kenya inter County Sports and cultural association games (KICOSCA); KYSA GAMES; Establishment of sports Academies
- v. Sports facilities Development-Construction of International Sports center complete with sports academy in Kisumu Central Sub-County; Completion of Ogada Stadium; Upgrading of Lwala Kadawa Football pitch; Fencing and Equipping of Nyany football pitch in Chemelil; Construction of Muhoroni Stadium; Renovation of Kenya-RE football pitch in Migosi Ward; Improvement of Sports field at Nyamarimba in South West Nyakach Ward;
- vi. Tourism Marketing and Development-Improvement of Equator Crossing in North West Kisumu Ward; Improvement of Migele Attraction Site in North West Seme Village; fabrication of Public Seats at Dunga in Nyalenda B ward
- vii. MICE management and development-Coordination of Participation by the Executive and County assembly; Organizing of exhibition to market Kisumu as a MICE destination; Development of a County MICE App to avail Key information online; Entry points signages, airport, taxi branding; Construction of a 10,000-capacity convention centre.

Owing to these, the department will receive an allocation of **Kshs155.3M** in 2021/2022 FY.

2.12 ROADS, TRANSPORT AND PUBLIC WORKS

As the department discharges its mandate in developing, operating and sustaining transport infrastructure and public works activities that meet the demands and expectations of the citizens, the key achievements for the department were; rehabilitation and maintenance of rural access road totaling to 103km, construction of road to gravel standards totaling to 65km and purchase of 2 Machines and Equipment.

The department had a development allocation of **Kshs.455.91M**. Out of this allocation, the total development expenditure during the year under review was **Kshs.193.87M** representing an absorption rate of **42.5%**.

The key priorities of the department in the FY 2021/22 will be:

- i. Periodic/routine maintenance of existing earth/gravel roads.
- ii. Improvement of selected county roads to Bitumen standards.
- iii. Construction of foot bridges.
- iv. Purchase of roads construction machinery to be used for opening of new roads.
- v. Initiating implementation of the Kisumu County Roads Maintenance Teams, with the support of the Village Councils.
- vi. Preparation of the county transport policy to streamline operations of all county vehicles and public transport.

Owing to these, the department will receive an allocation of **Kshs.452.7** in FY 2021/2022.

2.13 ENERGY AND INDUSTRIALIZATION

Energy and Industrialization department consists of 3 directorates namely: **Petroleum and Electricity, Renewable Energy and Industrialization.**

In its mission to facilitate the provision of affordable, reliable, sustainable energy and to create an enabling environment for competitive and sustainable industries for the socioeconomic development of Kisumu County, the department had the following key milestones, 20 market centers and dispensaries connected to the national grid through rural electrification programme, 12 valid business licenses to new and existing petrol stations and LPG businesses, construction of phase I of regional bio energy training center (80% complete) at Masogo-Nyang'oma ward, 230 solar lanterns distributed to households, 4 solar lights installed in market centers, completion of Akado CIDC, establishment of Special Economic Zone (1000 acres acquired and gazette, Pre-feasibility study and Environment Impact Assessment (EIA) done).

The department had a development allocation of **Kshs.71.30M**. Out of this allocation, the total development expenditure during the year under review was **Kshs.9.89M** representing an absorption rate of **13.9%**.

The department plans to prioritize the following projects and programmes in the FY 2021/2022

- i. Construction of Regional Bio-energy Training Centre-Masogo-Nyang'oma Regional Bio-Energy Training Centre Phase III of construction;
- ii. Community Solar Integrated power box installation- Kit Mikayi Solar Minigrad in Central Seme Ward
- iii. Solar flood/ street lights for powering markets, streets, schools and health facilities- Solar lights at Kogalo evacuation centre in Ombeyi ward; Solar lights at Lela water

- project in Kobura Ward; Installation of streetlights along Odongo Chief- Kobondo access road in Nyalenda A ward; Installation of streetlights from KERA to ASENKO water project in Railways Ward; Installation of streetlights from Obunga to Ogendo road in Railways ward; Installation of street lights from Ezra Gumbe – Railway line in Migosi ward; Installation of Street light at Lolwe Ring Road in Migosi ward; Installation of solar lights at Kilo Junction in Nyalenda B ward; Installation of solar lights at Oboch markets in Nyalenda B.
- iv. Promotion of Energy Conservation Cook Stoves-Promotion of Ethanol stoves
 - v. Biogas plants in Schools, Vocational Training Centers and Villages-Installation of biogas plants in 10 Vocational Training Centers
 - vi. Promotion of Biomass Fuels-Installation of briquettes production plant in Dunga Nyalenda B ward.
 - vii. Operation Nyagile Out-700 Solar Lanterns for households and traders in Central Nyakach, Chemelil, Kaloleni Shaurimoyo wards;
 - viii. Towards 100% Renewable Energy in Cities and Regions for Climate Change Mitigation-Develop a community wide 100% RE strategy and action plan;Increase local awareness and stakeholder’s engagement;Assess local RE potential; Develop local bankable projects and explore access to finance implementation
 - ix. Industrial development and business incubation-Establishment of innovation centre in Western Unit Nyalenda B ward;
 - x. Development of cottages industries-Tomatoes and Peanut processing plant in Central Nyakach ward; Construction of a Cotton Ginnery in Kobura ward; Establishment of a Soap processing plant in Nyalenda B ward;
 - xi. Special Economic Zone-Establishment of SEZ Administrative office block in Miwani;Development of SEZ Master plan for Miwani;
 - xii. Construction of 1 CIDC Blocks-Establishment of innovation centre
 - xiii. Rural electrification-Installation of grid connected Lighting Infrastructure in various market centers, beaches and other public utility areas (High Mast Floodlights); Rehabilitation of Makasembo and Nubian Street Lighting; Electrification of unconnected market centers, Hospitals, dispensaries, and villages;
 - xiv. Energy audit-Conduct Energy Audit in Public Facilities and installations
 - xv. Energy regulation-Issuance of Licenses to Retail Petroleum Stations and LPG Business;Inspection of the Retail Petroleum Stations and LPG businesses;
 - xvi. Promotion of Access to and Adoption of LPG-Awareness creation; Capacity Building and training; Sensitization drives

Owing to these, the department will receive an allocation of **Kshs129.7M.** in FY 2021/2022.

2.14 EDUCATION ICT AND HUMAN CAPACITY DEVELOPMENT

This thematic area comprises of ECDE, Vocational Education and Training, ICT, Human Resource Development, Gender, and Youth and social services.

The department in its quest to becoming a leading services provider in education, training, ICT and social services, had the following key achievements;

Directorate of Information Communication Technology

- i. One data centre created
- ii. Automation of County Services that is, Document Management System, Asset Management System (COMS), M & E system, E-Petroleum and GIS and mapping
- iii. 200 youths trained on digital skills
- iv. Three model ICT Centers established
- v. One ICT strategic plan developed

Social Services

- i. One Sexual Gender Based Policy formulated

Women, Youth &PWDs

- i. Three International Women, Youth and PWDs Days held
- ii. One PWD Act established

Vocational Education and Training

- i. One vocational training centre completed
- ii. 2000 trainees awarded tuition subsidies

ECDE infrastructure Development

- i. 45 ECDE classrooms constructed across the county
- ii. 15 ECDE playgrounds established
- iii. 29,337 chairs and tables distributed to ECDE classrooms countywide
- iv. 15,000 learners registered under school feeding program
- v. 58,000 ECDE learners given writing materials
- vi. Seven ECDE subcounty coordinators deployed
- vii. 49,794 learners registered under CBC countywide
- viii. 78 teachers trained on pedagogical skills upgrading
- ix. 620 OVCs identified and registered
- x. 430 PWDs identified and referred for appropriate intervention
- xi. 68 ECDE centers registered by NEMA as a precaution to contain COVID 19
- xii. 48 Latrines and toilets built in ECDE in urban centers
- xiii. 10 water tanks, taps and hand washing facilities installed in ECDE centers

The department had a development allocation of **Kshs.225. 64M.**Out of this allocation, the total development expenditure during the year under review was **Kshs.88.84M** representing an absorption rate of **39.4%**.

The department plans to prioritize the following projects and programmes in the FY 2021/2022

- i. Improvement of hardware and software/ system-County Wide Departmental Boardrooms and Sub County Office.
- ii. Surveillance and Access Control/Biometric Control room at the County Headquarters and City.
- iii. Connectivity to county offices, County and Sub-County Health facilities.
- iv. Equipping of ICT/Resource centre in Kogony, Korando, Lower East Seme, Lolwe, Nyangoma, Sondu, Holo Ngege, Nyamaroka, Arise&Shine, Kodonga
- v. Digital Literacy Program-Training of youth and setting up of ICT hubs
- vi. Development of ICT Policies/ SOP/Strategic Plan Countywide
- vii. Data Center/Automation of County services at the County headquarters.
- viii. Equipping Ahero PWD Empowerment & Rehabilitation Centre
- ix. Social Protection & Welfare-Revolving Fund for women, Youth & PWDs
- x. PWD Fund; Strengthening of a PWD Secretariat; Construction of PWD friendly toilets
- xi. Support of UN International Days/Events; Formulation, Review & Dissemination of Policies on Youth & PWD Mainstreaming; Motorbikes; Vehicle for the Directorate of Gender, Youth & Social Services
- xii. Gender & Social Development Personnel-Employment of Ward Gender & Social Development Officers;
- xiii. Youth Empowerment & Development- Establishment of County Youth one stop integrated facility at Kanyakwar; Capacity Building on 30% AGPO beneficiaries; Initiate apprenticeship for the Youth; Volunteerism Exchange Programmes; Promote youth public participation civic education in infrastructure development and in the informal sectors; Comprehensive youth data management, profiling and Generation of a database of all youths, groups/firms in the county; Develop youth rehabilitation and integration programmes.
- xiv. Social Protection & Welfare-Psychosocial support; Provision of Assistive devices to PWDs; Huts of hope for the Elderly; Social Protection Action Plan for widows and the elderly; Complimentary cash transfers for OVCs headed households and the aged not reached by the National Government; sanitary towels/pampers for the Elderly and PWDs; Sanitary Towels to school going girls and those living with Disabilities.
- xv. Social Infrastructure Development & Management-Equipping Tiengre Rescue Centre; Equipping of Kiboswa Resource centre; Completion and equipping of Kasawino Community hall; Equipping Arina Community hall; Completion and equipping of Kiboswa community hall; Completion of Nyahera resource centre; Equipping and furnishing at Marera resource centre.

- xvi. Gender and Women empowerment-Mentorship & life skills for the girl child; Formation review & dissemination of policies on social protection and children protection; Social Economic Empowerment.
- xvii. Child care and Development-Training parents on childcare skills;
- xviii. VTCs Infrastructure Development-Rehabilitation/Renovation of the Existing Vocational Training Centers; Completion of New VTCs; Construction of Administrative blocks in VTCs; Construction of Modern Workshops; Establishment of 7 Model VTCs (partnership with GOK);
- xix. VTC personnel- Recruitment of VTCs Instructors; Provision of Tuition Subsidies to VTCs Trainees; Equipping VCT with modern tools and equipment;
- xx. Preprimary infrastructure development-Construction and completion of ECDE classrooms in wards of the seven sub counties of Kisumu county;
- xxi. Hygiene and sanitation (ECDE toilets and water); Construction of ECDE friendly Toilets in two schools per ward;
- xxii. ECDE play equipment-Provision of preprimary equipment to 2 schools per ward on Kisumu county;
- xxiii. Preprimary capitation-Provision of learning materials preprimary schools in Kisumu county;
- xxiv. Feeding programmes-Preprimary feeding programmes in Kisumu county;
- xxv. Staffing of ECDE personnel-Recruitment of 731 ECDE teachers, 30 ward coordinators and sub-county coordinators; purchase of 8 motor cycles for sub-county coordinators; Purchase of 1 vehicle for county director;
- xxvi. Staff promotion-Upgrading of ECDE coordinators to the next job group;
- xxvii. Upgrading of staff-Upgrading of ECDE teachers from job group G to H
- xxviii. Preprimary Creative Activities-Conducting Preprimary creative activities from zone sub county and county levels in Kisumu county
- xxix. Capacity building-training sensitization of teachers and stakeholders in ECDE
- xxx. Monitoring and Evaluation-School and Teacher assessment
- xxxi. Separation fund for ECDE teachers-Payment of gratuity for contracted ECDE teachers from 2015 to 2022.
- xxxii. Registration of ECDE centers-Registering unregistered ECDE centers

In order to realize these, the County Government intends to allocate **Kshs841.8M.** to this sector in 2021/2022 FY.

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

DRAFT KCFSP 2021/2022 FY

3.1 OVERVIEW

The 2021 Kisumu County Fiscal Strategy Paper (CFSP) is prepared against a background of a contracting Kenyan economy occasioned by the outbreak of the COVID-19 (coronavirus 2019) pandemic, the locust attack which started in early 2020 in many parts of the country especially the North East and severe flooding in parts of Nyando and Nyakach sub-counties. The latest World Bank economic analysis for Kenya projects the economy to contract by between 1.0 percent and 1.5 percent in 2020, as ongoing COVID-19 containment measures and behavioral responses restrict activity in Kenya and its trading partners¹.

The Pandemic and the resultant containment measures adversely affected businesses and economic activities. The negative impact of COVID-19 on the private sector also trickled down to household welfare via reduced job opportunities and lower earnings. Unemployment almost doubled compared to its pre-COVID level². Almost 1 in 3 household-run businesses are not operating currently, with revenues decreasing across all sectors. Youth are also negatively affected by the pandemic, with revenues and profits strongly reduced for micro-enterprises run by young entrepreneurs, with only few of them making use of government and non-governmental organizations (NGO) support programs³.

However, forecasts point out to a strong rebound for 2021, with the GDP growth at 6.9 percent, under the same baseline assumptions, which consider the availability of vaccines and additional therapeutic treatments⁴. However, if it takes longer than expected to bring the COVID-19 pandemic under control, GDP could contract by 1.0% in 2020, and see a delay in the projected recovery to 5.2% growth in 2021. The downside risks include a protracted global recession undermining Kenya's export, tourism and remittance inflows, further tightening of COVID-19 health response measures that disrupt the domestic economic activity, fiscal slippages and weather-related shocks⁵.

The foreign exchange market has largely remained stable though partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the Covid-19 pandemic. Despite this, the current account deficit is estimated to improve to 5.1 percent in 2020 from 5.8 percent in 2019 mainly supported by an improvement in the trade balance. Going forward, we expect revenue collection in the FY 2021/22 to spring back buoyed by the

¹<https://www.worldbank.org/en/news/press-release/2020/11/25/kenyas-gdp-contracts-under-weight-of-covid-19-impacting-lives-and-livelihoods>

²[https://www.worldbank.org/en/country/kenya/publication/kenya-economic-update-covid-19-erodes-progress-in-poverty-reduction-in-kenya-increases-number-of-poor-citizens#:~:text=](https://www.worldbank.org/en/country/kenya/publication/kenya-economic-update-covid-19-erodes-progress-in-poverty-reduction-in-kenya-increases-number-of-poor-citizens#:~:text=Kenya%20has%20made%20considerable%20progress,Practice%20of%20the%20World%20Bank.)

³ [Kenya%20has%20made%20considerable%20progress, Practice%20of%20the%20World%20Bank.](https://www.worldbank.org/en/country/kenya/publication/kenya-economic-update-covid-19-erodes-progress-in-poverty-reduction-in-kenya-increases-number-of-poor-citizens#:~:text=Kenya%20has%20made%20considerable%20progress,Practice%20of%20the%20World%20Bank.)

⁴ [ibid](https://www.worldbank.org/en/country/kenya/publication/kenya-economic-update-covid-19-erodes-progress-in-poverty-reduction-in-kenya-increases-number-of-poor-citizens#:~:text=Kenya%20has%20made%20considerable%20progress,Practice%20of%20the%20World%20Bank.)

⁵ <https://www.statista.com/statistics/1136576/forecasted-impact-of-coronavirus-on-real-gdp-growth-in-kenya/>

⁶[https://www.worldbank.org/en/country/kenya/overview#:~:text=In%202019%2C%20Kenya%27s%20economic%20growth,economies%20in%20Sub-Saharan%20Africa.&text=Real%20gross%20domestic%20product%20\(GDP,\)%20to%201.5%25%20in%202020.](https://www.worldbank.org/en/country/kenya/overview#:~:text=In%202019%2C%20Kenya%27s%20economic%20growth,economies%20in%20Sub-Saharan%20Africa.&text=Real%20gross%20domestic%20product%20(GDP,)%20to%201.5%25%20in%202020.)

improving economic environment, tax policy and revenue administration measures that we have put in place.

3.2 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.2.1 GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS

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 (**Table 1**). This economic outlook is worse than the growth reported during the 2008 - 2009 global financial crisis. On a positive note, world economic growth is projected to rebound to 5.4 percent in 2021 mainly supported by a gradual strengthening in consumption and investment is also expected to firm up⁶.

Table 1: Global Economic Growth

Economy	2019	2020*	2021**
World	2.8	(4.4)	5.2
Advanced Economies	1.7	(5.8)	3.9
Of which: USA	2.2	(4.3)	3.1
Emerging and Developing Economies	3.7	(3.3)	6.0
Of which: China	6.1	1.9	8.2
India	4.2	(10.3)	8.8
Sub-Saharan Africa	3.2	(3.0)	3.1
Of which: South Africa	0.2	(8.0)	3.0
Nigeria	2.2	(4.3)	1.7
EAC-5	6.2	1.0	4.5
Of which: Kenya***	5.4	0.6	6.4
<i>* Estimate ** Projected</i>			
<i>EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda</i>			

*Source of Data: October 2020 WEO; ***Projections by the National Treasury*

Growth in the East African Community (EAC) region is estimated to have slowed down to 1.0 percent in 2020 compared to a growth of 6.2 percent in 2019. This growth will be supported by positive growths in Kenya, Tanzania and Rwanda. Economic activities in Burundi and Uganda are expected to contract in 2020.

3.2.2 NATIONAL ECONOMIC INDICATOR OUTLOOK

3.2.2.1 ECONOMIC GROWTH

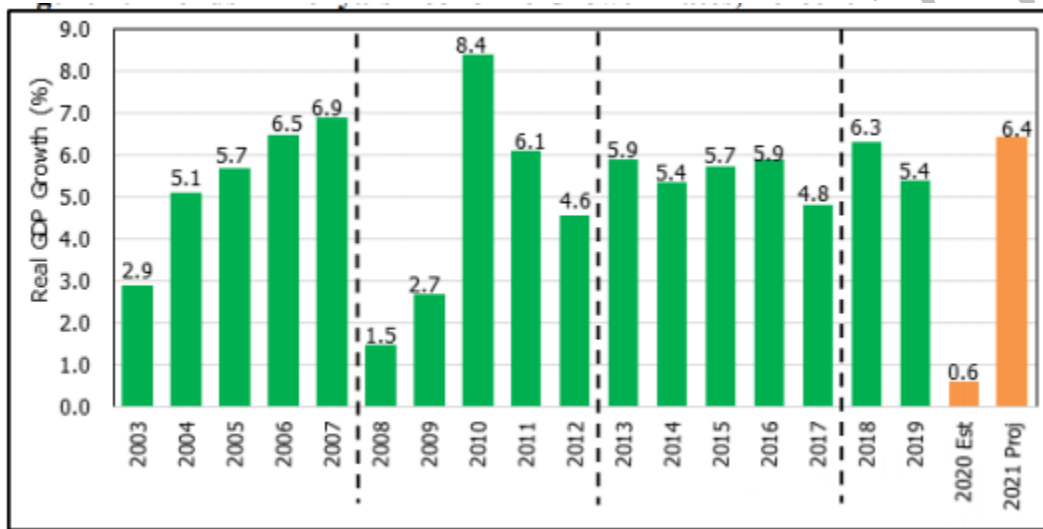
Prior to the outbreak of Covid-19 pandemic, Kenya's economy was strong and resilient despite the challenging global environment. The broad-based economic growth for 2018 and 2019

⁶

averaged 5.9 percent outperforming the 5.5 percent for the previous 5 years (2013 to 2017) and the average growth rate of 4.7 percent in the period 2008 to 2012 (Figure 1)

In 2020, the Kenyan economy was adversely affected by the outbreak of Covid-19 Pandemic and the swift containment measures, which have not only disrupted the normal lives and livelihoods, but also to a greater extent businesses and economic activities. As a result, the Kenyan economy is estimated to slow down to around 0.6 percent in 2020 from a growth of 5.4 percent in 2019. Looking ahead, the economy is projected to recover and grow by about 6.4 percent in 2021 and above 6.2 percent over the medium term.

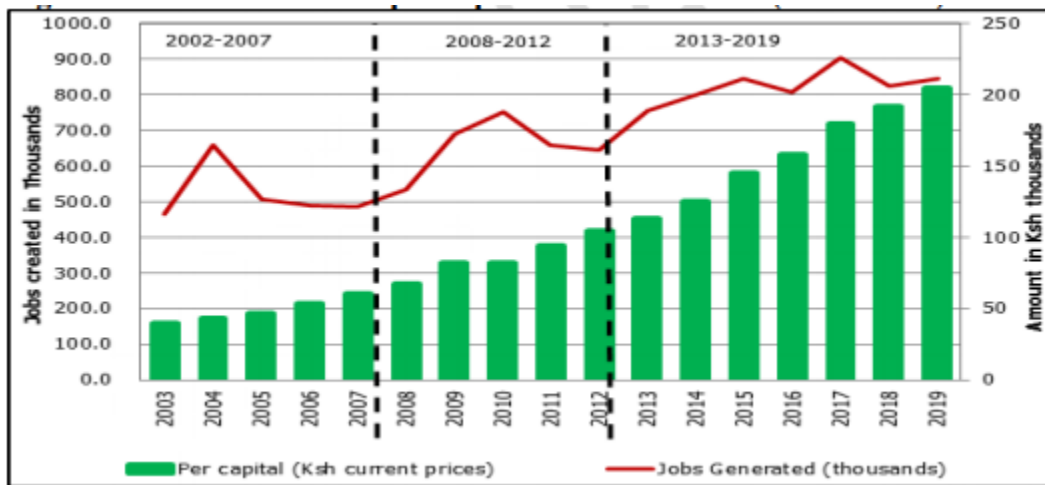
Figure 1: Trends in Kenya's Economic Growth Rates, Percent



Source of Data: Kenya National Bureau of Statistics

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

Figure 2: Trends in Per Capita Income and Job Created (2003 - 2019)



Source of Data: Kenya National Bureau of Statistics

Quarterly GDP growth of 2020

The economy grew by 4.9 percent in the first quarter of 2020 compared to a growth of 5.5 percent in the first quarter of 2019. The slowdown was as a result of the decline in economic activities in most of the country’s major trading partners due to the uncertainty associated with the Covid-19 pandemic (Table 2). The economy further contracted by 5.7 percent in quarter two of 2020 from a growth of 5.3 percent in the same quarter in 2019. Kenya's economy shrank 1.1% year-on-year in the third quarter of 2020, following a downwardly revised 5.5% plunge in the previous period. It marks the first country's recession in nearly two decades, as the adverse effects of containment measures to curb COVID-19 infections continued to be felt. As a result, the performance of most sectors of the economy contracted in the second quarter of 2020. Accommodation and food service activity which includes the all-important tourism sector remained severely affected (-57.9% vs -83.2% in Q2), followed by education (-41.9% vs -56.2%) and professional, administrative activities (-12.3% vs -15.3%).

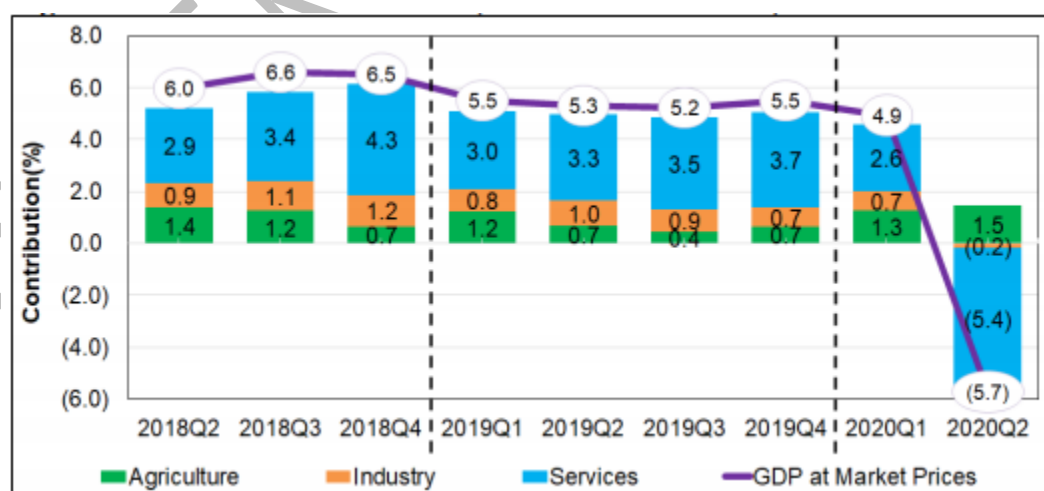
Table 2: Sectoral Real GDP Growth Rates, Percent

Sectors	Sector Growth (%)									
	2018				2019				2020	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Primary Industry	6.6	5.8	6.6	3.7	4.6	3.0	2.5	3.8	5.1	6.5
Agriculture, Forestry and Fishing	6.7	5.9	6.8	3.9	4.7	2.9	2.4	4.0	4.9	6.4
Mining and Quarrying	3.1	3.5	3.2	1.2	1.4	5.0	3.4	0.3	9.5	10.0
Secondary Sector (Industry)	4.6	5.1	6.2	6.7	4.9	5.4	4.7	4.0	4.1	(1.0)
Manufacturing	3.2	3.9	5.1	5.2	3.5	4.0	3.2	2.3	2.9	(3.9)
Electricity and Water supply	6.1	8.3	8.1	9.5	7.8	7.3	6.4	6.4	6.3	(0.6)
Construction	6.7	5.6	7.3	7.7	6.1	7.2	6.6	5.7	5.3	3.9
Tertiary sector (Services)	6.2	6.0	6.6	8.0	6.4	6.8	6.7	6.8	5.4	(11.0)
Wholesale and Retail trade	5.6	6.5	7.3	7.9	6.3	7.8	6.1	6.4	6.4	(6.9)
Accommodation and Restaurant	13.3	15.1	15.5	21.5	11.0	12.1	9.9	9.0	(9.3)	(83.3)
Transport and Storage	6.5	6.6	8.5	11.8	6.4	7.6	7.6	9.2	6.1	(11.6)
Information and Communication	13.2	11.7	9.8	10.6	10.2	7.8	8.1	9.4	9.7	4.3
Financial and Insurance	4.0	3.5	5.1	8.5	6.3	5.2	8.1	6.6	6.2	4.2
Public Administration	5.5	6.1	7.1	8.1	8.9	8.7	8.4	6.2	6.7	5.7
Others	5.1	5.0	4.9	4.8	4.8	5.8	5.6	5.2	4.6	(19.2)
of which Real Estate	5.2	4.5	3.8	3.1	4.8	6.0	5.5	5.1	4.3	2.2
Education	5.3	5.2	5.5	7.0	4.3	6.0	6.0	5.5	5.3	(56.2)
Health	4.1	3.4	5.3	4.5	5.4	6.2	5.5	6.2	5.8	10.3
Taxes less subsidies	6.1	6.0	6.2	4.3	4.7	4.0	4.2	4.5	3.4	(14.2)
Real GDP	6.2	6.0	6.6	6.5	5.5	5.3	5.2	5.5	4.9	(5.7)
of which Non-Agriculture	6.0	6.0	6.6	7.5	5.9	6.4	6.2	6.0	5.2	(8.5)

Source of Data: Kenya National Bureau of Statistics

The agriculture sector recorded an improved growth of 6.4 percent in the second quarter of 2020 compared to a growth of 2.9 percent in the corresponding quarter of 2019. The sector's performance was supported by a notable increase in tea production, cane deliveries, milk intake and fruit exports. The sector's contribution to GDP growth was at 1.5 percentage points in the second quarter of 2020 compared to 0.7 percentage points over the same period in 2019 (Figure 3).

Figure 3: Economic Performance (Contribution to GDP)



The non-agriculture (service and industry) sectors was adversely affected by the Covid-19 pandemic during the second quarter of 2020. As a result, the sector contracted by 8.5 percent in the second quarter of 2020 down from a growth of 6.4 percent in a similar quarter in 2019. The sector’s contribution to real GDP was - 5.6 percentage points in the second quarter of 2020 compared to a contribution of 4.3 percentage points in the same quarter of 2019. The decline was largely characterized by substantial contractions in Accommodation and Food Services (83.3 percent), Education (56.2 percent), and Transportation and Storage (11.6 percent).

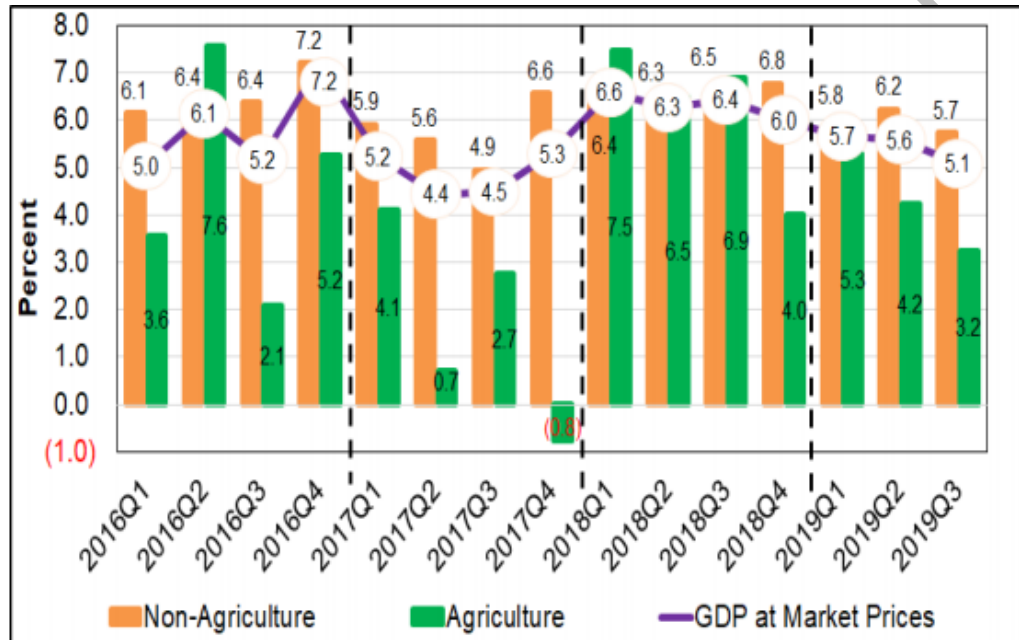
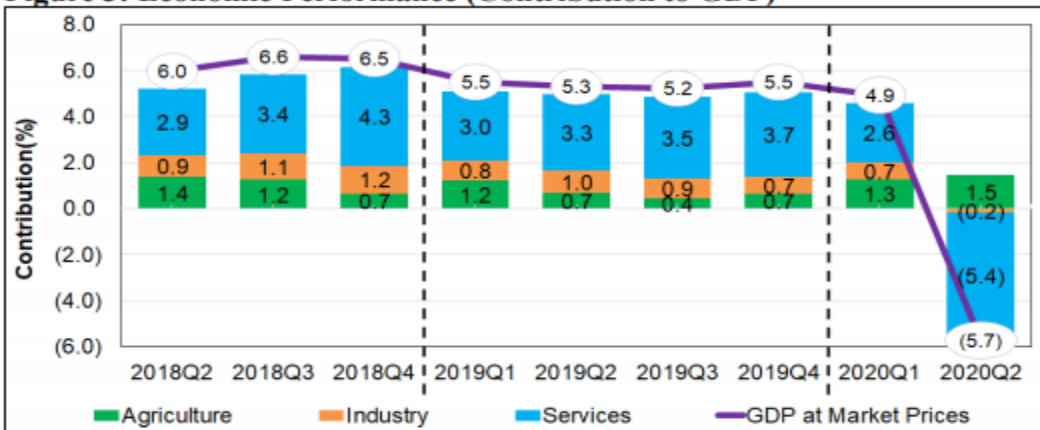


Figure 4: Economic Performance (Percent Growth Rates)

Source of Data: Kenya National Bureau of Statistics

The Services sub-sector contributed -5.4 percentage point to real GDP growth in the second quarter of 2020 compared to the 3.3 percentage point contribution in the same quarter of 2019.

Figure 5: Economic Performance (Contribution to GDP)



Source of data: Kenya National Bureau of Statistics

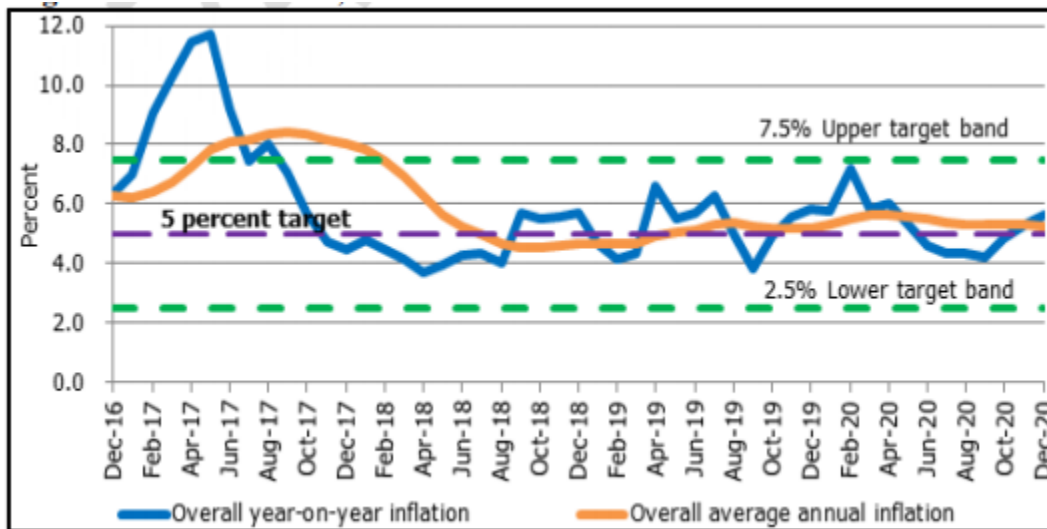
The industry sector contracted by 1.0 percent in the second quarter of 2020 compared to a growth of 5.4 percent in the same quarter of 2019. This was mainly due to a decline in activities in the electricity and water supply and manufacturing sub-sectors. The industry sector was however supported by the Construction sector which grew by 3.9 percent in the second quarter of 2020. The industry sector accounted for -0.2 percentage points of growth in the second quarter of 2020 compared to 0.7 percentage point contribution to GDP in 2019.

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.

3.2.2.2 INFLATION RATE

Year-on-year overall inflation rate remained low, stable and within the Government target range of 5+/-2.5 percent since end 2017 demonstrating prudent monetary policies. The inflation rate was at 5.6 percent in December 2020 from 5.8 percent in December 2019. This lower inflation was supported by a reduction in food prices (Figure 4).

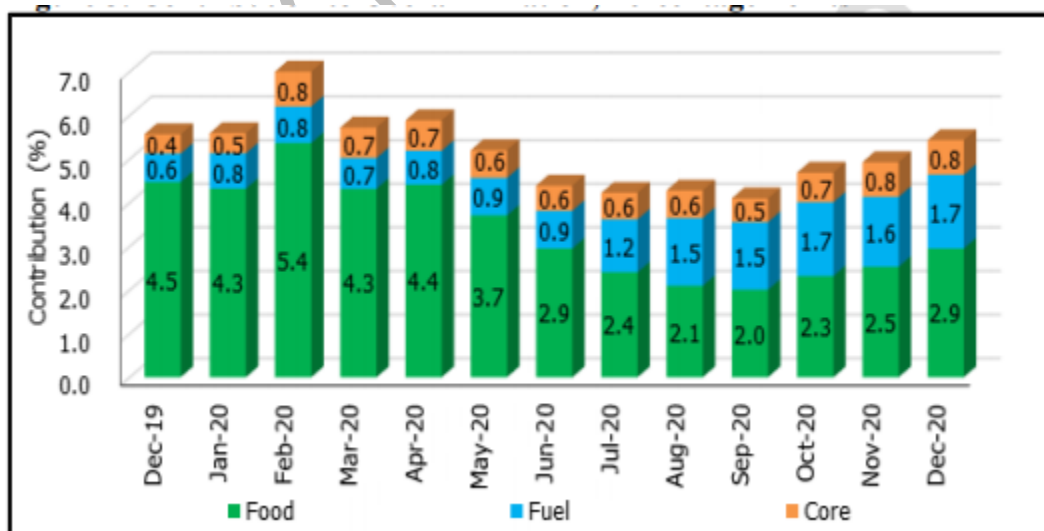
Figure 6: Inflation Rate, Percent



Source of Data: Kenya National Bureau of Statistics

Core inflation (Non-Food-Non-Fuel) contribution to inflation remain low at 0.8 percent in December 2020 compared to 0.4 percent in December 2019 reflecting muted demand pressures in the economy on account of prudent monetary policies. However, the contribution of fuel inflation to overall year-on-year inflation rose to 1.7 percent in December 2020 from 0.6 percent in December 2019 on account of increasing international fuel prices (Figure 5).

Figure 7: Contribution to Overall Inflation, Percentage Points

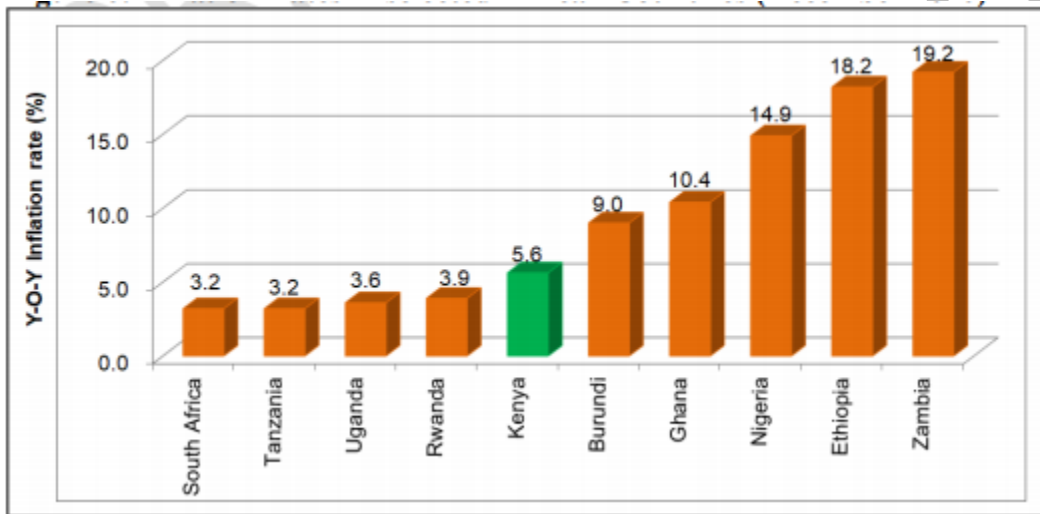


Source of Data: Kenya National Bureau of Statistics

The major driver of the overall inflation has been food inflation, but its contribution to overall inflation has declined from 4.5 percent in December 2019 to 2.9 percent in December 2020 on account of a reduction in food prices.

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

Figure 8: Inflation Rates in selected African Countries (December 2020)

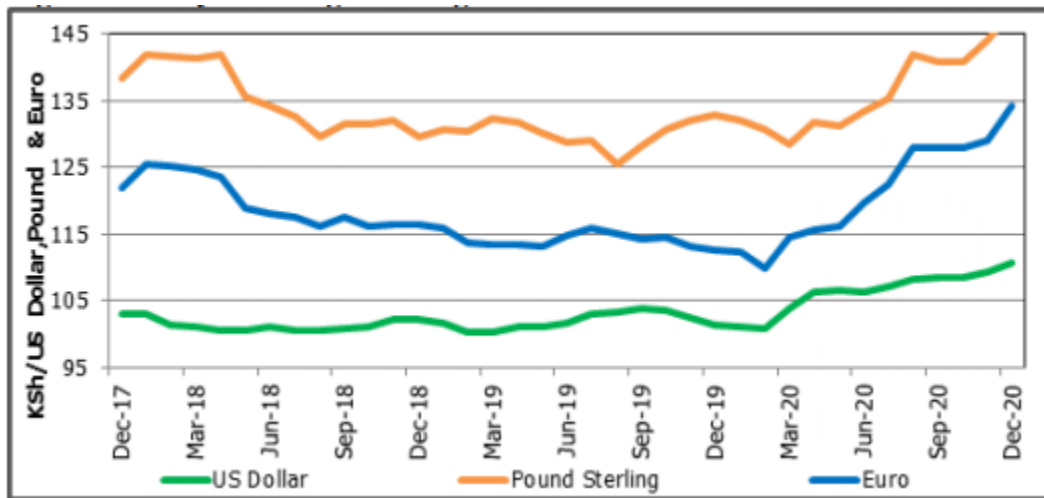


Source of Data: Various National Central Banks

3.2.2.3 KENYA SHILLING EXCHANGE RATE

The foreign exchange market largely remained stable but was partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the Covid-19 pandemic. In this regard, the Kenya Shilling to the dollar exchanged at Ksh 110.6 in December 2020 compared to Ksh 101.5 in December 2019 (Figure 7).

Figure 9: Kenya Shilling Exchange Rate

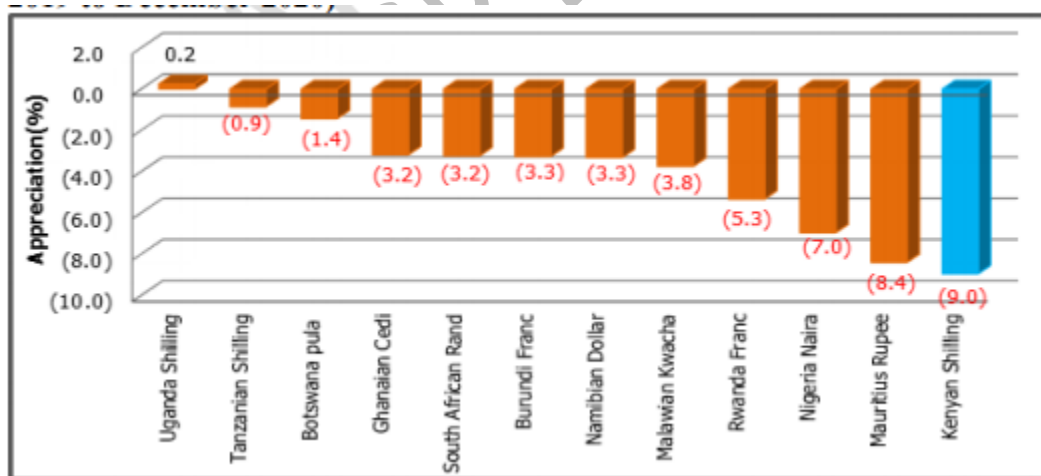


Source of Data: Central Bank of Kenya

Like most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable weakening by only 9.0 percent against the US Dollar (Figure 8). This stability in the Kenya Shilling was supported by increased remittances and adequate foreign exchange reserves.

Figure 10: Performance of selected currencies against the US Dollar

(December 2019 to December 2020)



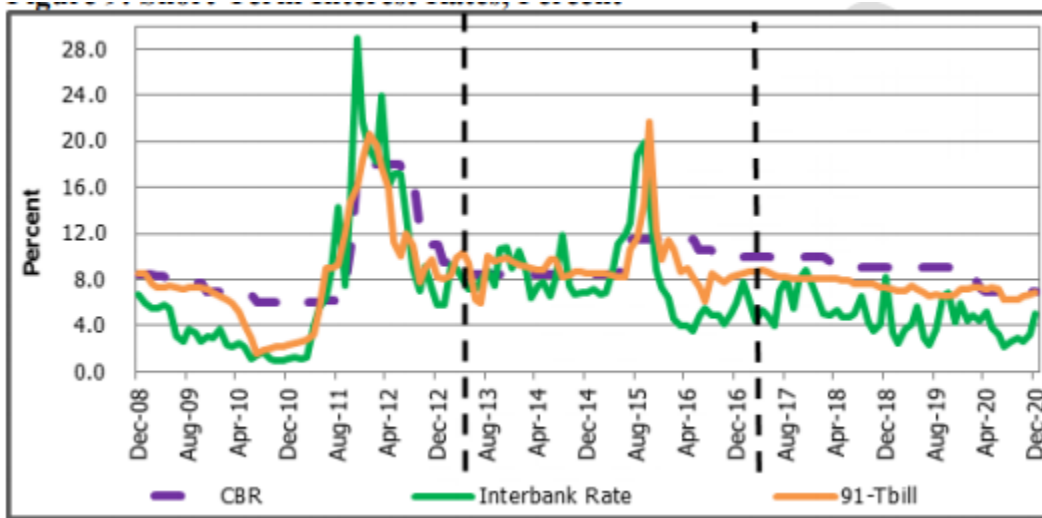
Source of Data: Various National Central Banks

3.2.2.3 INTEREST RATES

Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.00 percent on November 26, 2020 same as in April 2020 to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises, distressed by COVID-19 pandemic. The interbank rate declined to 5.1 percent in December 2020 from 6.0

percent in December 2019 in line with the easing of the monetary policy and adequate liquidity in the money market (Figure 9).

Figure 11: Short-Term Interest Rates, Percent



Source of Data: Central Bank of Kenya

The 91-day Treasury Bills rate was at 6.9 percent in December 2020 from 7.2 percent in December 2019. Over the same period, the 182-day Treasury Bills rate declined to 7.4 percent from 8.2 percent while the 364-day decreased to 8.3 percent from 9.8 percent.

3.2.2.4 MONEY AND CREDIT

Growth in broad money supply, M3, improved to 14.2 percent in the year to November 2020 compared to a growth of 5.9 percent in the year to November 2019 (Table 3). The improved growth in M3 was attributed to an increase in the Net Domestic Assets particularly improvement in net credit flows to the government and the private sector.

The primary source of growth in M3 in the year to November 2020 was the Net Domestic Assets (NDA) of the banking system, which improved to register a growth of 20.8 percent from a growth of 3.5 percent over a similar period in 2019. This is largely due to an improvement in net credit flows to both the Government and the private sector. Net credit flows to the other public sector decreased during the review period.

Table 3: Money Supply and Credit, Ksh billion

	2018 November	2019 November	2020 November	2018-2019 November	2019-2020 November	2018-2019 November	2019-2020 November
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,409.6	1,460.2	1,759.9	50.6	299.7	3.6	20.5
1.1 currency outside banks (M0)	224.0	191.6	224.9	32.4	33.3	(14.5)	17.4
1.2 Demand deposits	1,117.3	1,186.0	1,377.9	68.7	191.9	6.2	16.2
1.3 Other deposits at CBK	68.3	82.6	157.1	14.3	74.5	20.9	90.2
2. Money supply, M2 (1+2.1)	2,699.4	2,849.4	3,238.2	150.0	388.8	5.6	13.6
2.1 Time and savings deposits	1,289.8	1,389.2	1,478.3	99.4	89.1	7.7	6.4
Money supply, M3 (2+3.1)	3,269.0	3,462.0	3,952.3	192.9	490.3	5.9	14.2
3.1 Foreign currency deposits	569.6	612.5	714.1	42.9	101.6	7.5	16.6
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	691.8	795.6	730.6	103.8	65.0	15.0	(8.2)
1.1 Central Bank	731.5	839.4	753.6	107.9	85.8	14.7	(10.2)
1.2 Banking Institutions	(39.8)	(43.8)	(23.0)	4.1	20.8	(10.2)	47.5
2. Net domestic assets (2.1+2.2)	2,577.3	2,666.4	3,221.7	89.1	555.3	3.5	20.8
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	3,358.9	3,605.5	4,235.9	246.6	630.4	7.3	17.5
2.1.1 Government (net)	828.6	903.9	1,332.3	75.3	428.4	9.1	47.4
2.1.2 Other public sector	107.0	100.7	90.8	6.3	10.0	(5.9)	(9.9)
2.1.3 Private sector	2,423.3	2,600.8	2,812.8	177.6	212.0	7.3	8.1
2.2 Other assets net	(781.6)	(939.1)	(1,014.2)	157.5	75.1	(20.1)	(8.0)

Source of Data: Central Bank of Kenya

Private sector credit grew by 8.1 percent in the 12 months to November 2020 compared to a growth of 7.3 percent in the year to November 2019. This was supported by recovery in demand with the improved economic activity following the easing of COVID-19 containment measures, and accommodative monetary policy. Strong growth in lending was observed in the following sectors: agriculture (19.3 percent), consumer durables (18.8 percent), transport and communication (17.5 percent), manufacturing (10.0 percent), and real estate (9.1 percent). The operationalisation of the Credit Guarantee Scheme for the vulnerable Micro Small and Medium sized Enterprises (MSMEs), will de-risk lending by commercial banks, and is critical to increasing credit to this sector.

Net Foreign Assets (NFA) of the banking system in the year to November 2020 contracted by 8.2 percent, compared to a growth of 15.0 percent in the year to November 2019. The contraction in growth of the NFA was mainly reflected in the decline of the foreign currency reserves by the Central Bank. The NFA of commercial banks improved during the review period as a result of an increase in the commercial banks' deposits with the non-resident banks.

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.

3.2.2.5 BALANCE OF PAYMENTS

The overall balance of payments position improved to a surplus of US\$ 1,217.2 million (1.2 percent of GDP) in the year to September 2020 from a deficit of US\$ 1,058 million (1.1 percent

of GDP) in the year to September 2019 (Table 4 and Figure 10). This was mainly due to an improvement in the current account balance.

Table 4: Balance of Payments (million)

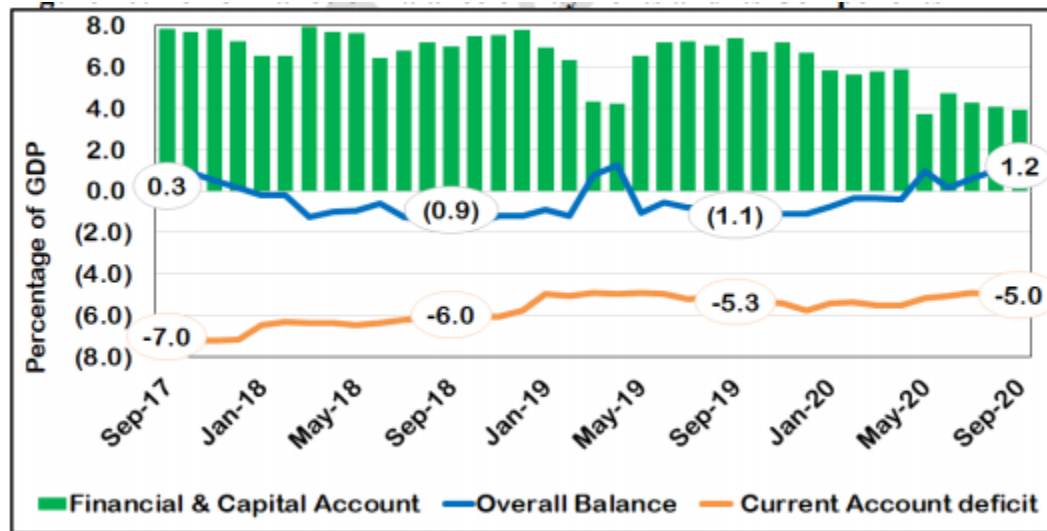
	Sep-18	Sep-19	Mar-20	Jun-20	Sep-20	Year to September 2020		Percent of GDP	
						absolute change	Percent Change	Sep-19	Sep-20
Overall Balance	(777.5)	(1,058.0)	(340.5)	179.9	1,217.2	2,275.2	(215.1)	(1.1)	1.2
A) Current Account	(5,273.9)	(5,009.1)	(5,635.7)	(5,066.9)	(4,921.0)	88.1	(1.8)	(5.3)	(5.0)
<i>Merchandise Account (a-b)</i>	(10,204.4)	(10,287.6)	(10,442.8)	(9,460.0)	(8,947.5)	1,340.1	(13.0)	(11.0)	(9.1)
a) Goods: exports	6,139.3	5,849.6	6,070.1	5,923.6	6,014.3	164.8	2.8	6.2	6.1
b) Goods: imports	16,343.7	16,137.2	16,512.8	15,383.6	14,961.8	1,175.4	(7.3)	17.2	15.2
<i>Net Services (c-d)</i>	1,493.0	1,869.6	1,352.7	1,028.1	509.3	1,360.2	(72.8)	2.0	0.5
c) Services: credit	5,160.5	5,674.9	5,333.0	4,783.4	4,190.2	1,484.6	(26.2)	6.1	4.3
d) Services: debit	3,667.5	3,805.3	3,980.3	3,755.3	3,680.9	124.4	(3.3)	4.1	3.7
<i>Net Primary Income (e-f)</i>	(1,496.5)	(1,837.9)	(1,778.2)	(1,647.6)	(1,488.5)	349.5	(19.0)	(2.0)	(1.5)
e) Primary income: credit	181.3	226.9	226.6	198.2	185.4	41.5	(18.3)	0.2	0.2
f) Primary income: debit	1,677.9	2,064.8	2,004.8	1,845.8	1,673.9	391.0	(18.9)	2.2	1.7
<i>Net Secondary Income</i>	4,934.0	5,246.8	5,232.6	5,012.6	5,005.6	241.2	(4.6)	5.6	5.1
g) Secondary income: credit	4,986.0	5,299.4	5,286.8	5,064.1	5,060.3	239.1	(4.5)	5.7	5.1
h) Secondary income: debit	52.0	52.6	54.2	51.5	54.7	2.2	4.1	0.1	0.1
B) Capital Account	246.0	206.8	189.6	146.1	157.8	48.9	(23.7)	0.2	0.2
C) Financial Account	(5,902.6)	(6,714.3)	(5,720.5)	(4,597.6)	(3,702.3)	3,012.0	(44.9)	(7.2)	(3.8)

Source of Data: Central Bank of Kenya

The current account deficit stood at \$ 4,921.0 million (5.0 percent of GDP) in September 2020 from US\$ 5,009.1 million (5.3 percent of GDP) in September 2019. The improvement in the current account balance was mainly due to the improvement in the merchandise account balance and the Net primary income balance.

The balance in the merchandise account improved by US\$ 1,340.1 million to a deficit of US\$ (8,947.5) million in the year to September 2020 on account of a decline in imports and a marginal increase in exports. In the year to September 2020, exports grew by 2.8 percent primarily driven by tea exports, on account of increased production and an increased demand for tea from the UK. On the other hand, imports declined by 7.3 percent in the year to September 2020, as a result of reduction in the volume of oil importation and decline in the value of imported manufactured goods, particularly iron, steel, machinery and transport equipment such as vehicles, and SGR related imports.

Figure 12: Performance of Balance of Payments and its Components



Source of Data: Central Bank of Kenya

Net services declined by 72.8 percent in the year to September 2020 mainly due to a significant decline in transport services and travel receipts as a result of the uncertainty associated with the Covid-19 pandemic and the resultant containment measures. Cargo through put performed well during the review period and provided a buffer in terms of transport receipts.

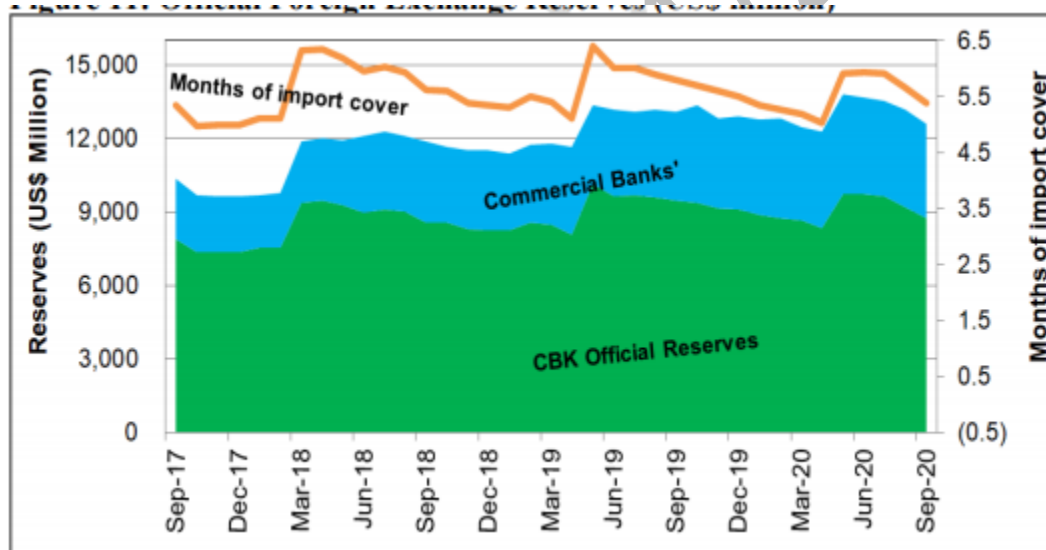
The capital account balance registered a surplus of US\$ 157.8 million in the year to September 2020. However, this was a US\$ 48.9 million decline compared to the balance witnessed in September 2019. Net Financial Inflows declined to US\$ 3,012.0 million from US\$ 6,714.3 million in the year to September 2019 (Table 4). The financial inflows were mainly in the form of direct investments and other investments which stood at US\$ 482.4 million and US\$ 4420.4 million, respectively in September 2020. The Net Portfolio investments outflows stood at US\$ 1,189.5 million

3.2.2.6 FOREIGN EXCHANGE RESERVES

The banking system's foreign exchange holdings remained strong at US\$ 12,585.0 million in September 2020 up from US\$ 13,083.3 million in September 2019. The official foreign exchange reserves held by the Central Bank was at US\$ 8,765.1 million (5.4 months of import cover) in September 2020 compared with US\$ 9,441.6 million (5.8 months of import cover) in September 2019 (Figure 11).

This fulfils the requirement to maintain reserves at minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market. Commercial banks holdings increased to US\$ 3,819.9 in September 2020 from US\$ 3,641.7 million in September 2019.

Figure 13: Official Foreign Exchange Reserves (US\$ million)

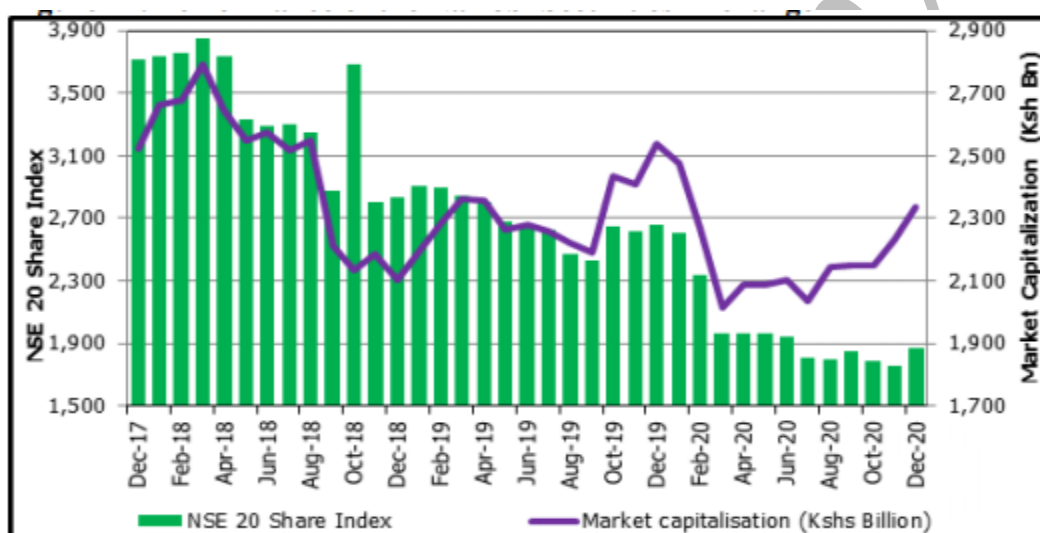


Source of Data: Central Bank of Kenya

3.2.2.7 NAIROBI SECURITIES EXCHANGE

Activity in the capital markets declined in December 2020 compared to December 2019, with equity share prices declining as shown by the NSE 20 Share Index. The decline reflects the volatility in the financial markets as a result of the uncertainty surrounding the covid-19 pandemic. The NSE 20 Share Index was at 1,868 points by end of December 2020 compared to 2,654 points by end December 2019. Consequently, market capitalization declined from Ksh 2,540 billion to Ksh 2,337 billion over the same period (Figure 12).

Figure 14: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

3.2.3 COUNTY FISCAL PERFORMANCE

3.2.3.1 OWN SOURCE REVENUE PERFORMANCE

During the first and second quarter of the FY 2019/2020, the County Government generated a total of Ksh. 361,664,889 million as Own Source Revenue (OSR) against an annual target of Ksh. 1,438,478,604 million. This represents 25 percent of the annual OSR target in FY 2019/20, which is a decrease from 26 percent of the annual OSR target for a similar period in the FY 2018/19.

The fiscal performance of the FY 2019/20 budget was below target on account of the COVID 19 Pandemic and the resultant containment measures which adversely affected businesses and economic activities. In particular, own source revenue shortfalls in the fourth quarter of the FY 2019/20 was largely due to the Covid-19 Pandemic. Thus, total own source revenue amounted to Ksh 804,387,972 against a target of Ksh 1,438,478,604 representing 55.9% of the target. In fact, if it takes longer than expected to bring the COVID-19 pandemic under control, own source revenue collection for the FY 2020/21 is expected to slightly decline while expenditures for the fiscal year have been rationalized to ease funding pressures and create fiscal space.

Comparing quarterly own source revenue collections in FY 2020/2021 and FY 2019/2020, the impact of COVID 19 on revenue is clear. In the 1st quarter of 2019/2020, the own source revenue realized was Ksh

162,025,980 compared to Ksh 138,562,499 collected in the same period in 2020/2021 representing a drop of Ksh 23,463,481 or 14.5%. Similarly, the second quarter of 2020/2021 realized Ksh 127,477,743 which dropped by Ksh 72,161,166 from Ksh 199,638,909 collected in the same period in 2019/2020 representing a 36.1% drop. Should this trend continue into the third and fourth quarters of FY 2020/2021 then it is expected that own source revenues will fall below collections for the same periods in 2019/2020.

Table 4: Comparison of Own Source Revenue for 2019/2020 and 2020/2021 (Ksh Million)

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
2020/2021	138,562,499	127,477,743		
2019/2020	162,025,980	199,638,909	300,021,642	142,701,141
Deviation	23,463,481	72,161,166		
% Deviation	14.5	36.1		

Table 4 below presents the own source revenue trends by quarter from FY 2016/2017 all the way to FY 2020/2021. There has been general reduction of own source revenue over this period as can be seen.

Table 5: Own Source Revenue Performance by Quarter 2016/2017–2020/2021 (Ksh Million)

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
2020/2021	138,562,499	127,477,743		
2019/2020	162,025,980	199,638,909	300,021,642	142,701,141
2018/2019	198,041,719	166,030,377	398,383,908	250,260,634
2017/2018	123,459,153	120,240,443	338,727,430	292,462,025
2016/2017	211,209,760	241,557,388	322,504,795	206,311,009

3.2.3.2 EXPENDITURE PERFORMANCE

Total expenditure in the FY 2019/20 was Ksh 9,053,376,663 billion against a revised target of Ksh 12,215,958,368 billion, representing an under spending of Ksh.3,162,581,705 billion or a percentage deviation of 26 percent going by the revised budget. This shortfall was attributed to lower absorption in both recurrent and development expenditures by the County Government.

Table 6: Budget and Actual Expenditure for FY 2019/20 (Ksh Million)

Expenditure	2019/2020		Deviation	% Deviation
	Actual	Target		
Recurrent	6,827,139,101	8,129,207,638	1,302,068,537	16.02
Development	2,226,237,562	4,086,750,730	1,860,513,168	45.53
Total Expenditure	9,053,376,663	12,215,958,368	3,162,581,705	25.89

County Governments Budget Absorption Rate

According to the County Budget Implementation Report for 2019/2020, a total of Kshs.9.12 billion was spent on development and recurrent activities and represented 99.3 per cent of the total funds released from the CRF account. The expenditure comprised of Kshs.2.38 billion and Kshs.6.74 billion on development and recurrent activities respectively. Expenditure on development programmes represented an absorption rate of 58.2 per cent while on recurrent expenditure an absorption rate of 82.9 per cent was realized.

3.2.3.3 ECONOMIC IMPACT OF THE COVID-19 PANDEMIC

While the COVID-19 pandemic is primarily a health crisis and human tragedy, it also has far reaching economic ramifications. The responses instituted to control its spread have disrupted millions of livelihoods with disproportionate impact on poor households and small and informal business. Counties are called upon to develop frameworks for action aimed at saving lives, protecting households, businesses, and the economy from the fall out of the pandemic, especially given the fact that health is a devolved function.

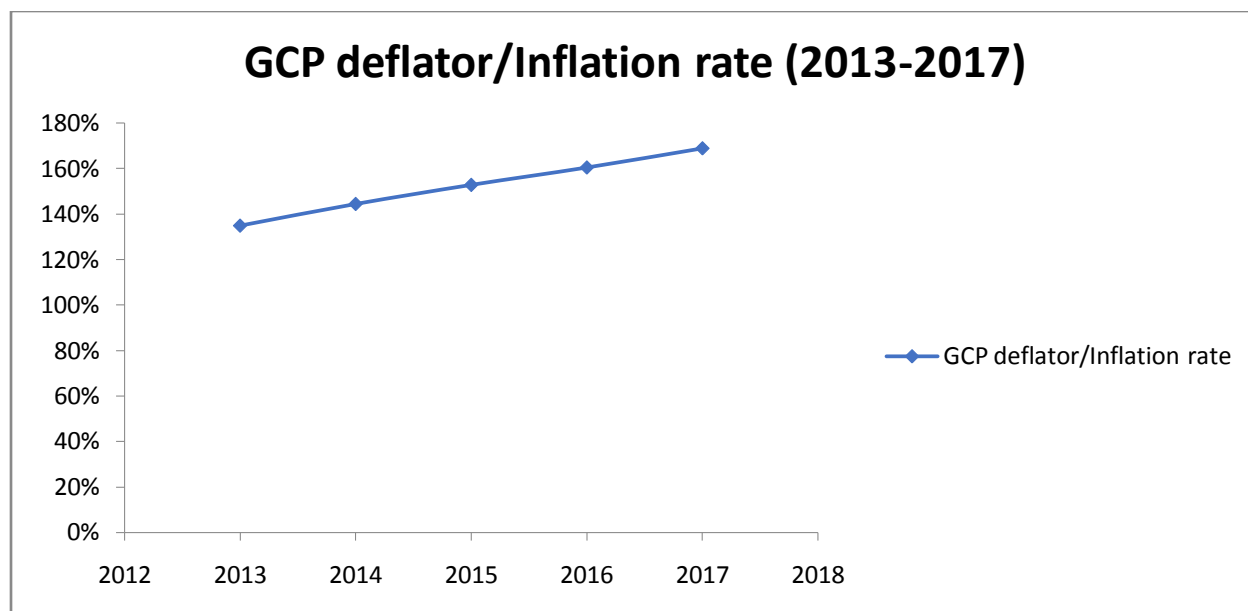
3.2.4 DOMESTIC ECONOMIC INDICATORS

3.2.4.1 INFLATION

Table 7: Kisumu County GCP deflator/Inflation

Year	Kisumu County Nominal GCP (2017 Prices)	Kisumu County Real GCP (2009 Prices)	GCP deflator	Inflation rate
2013	135,418	100347	135%	
2014	152,655	105662	144%	11%
2015	165,503	108266	153%	9%
2016	181,161	112865	161%	8%
2017	194,489	115128	169%	8%
2018				

Figure 15: Kisumu County GCP deflator



Kisumu County Inflation rate was **8%** in 2017 while that of the Country was 7%. This difference was due to the method of calculation. KNBS uses CPI to calculate the National inflation rate. It however uses the GCP deflator to calculate that of County governments as it does not put imports into consideration. This method treats the County as a closed economy.

Inflation rate has been gradually increasing at a fairly constant rate from 2013 to 2017.

3.2.4.2 ECONOMIC GROWTH

Table 8 : Kisumu County Economic Growth

Year	Kisumu County GCP	Economic growth
2013	135,418	
2014	152,655	12.73%
2015	165,503	8.42%
2016	181,161	9.46%
2017	194,489	7.36%

Figure 16: Kisumu County GCP Trend

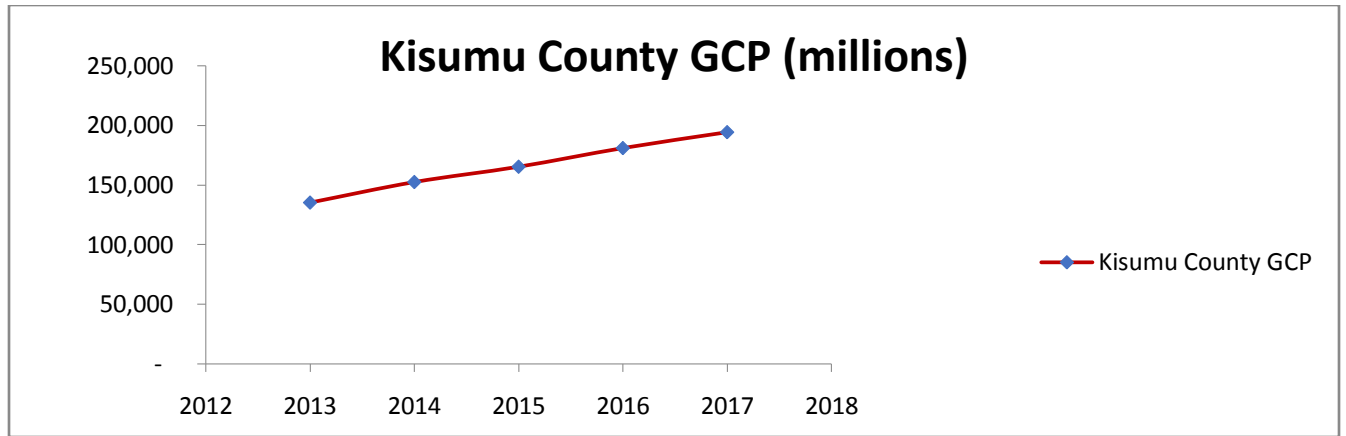
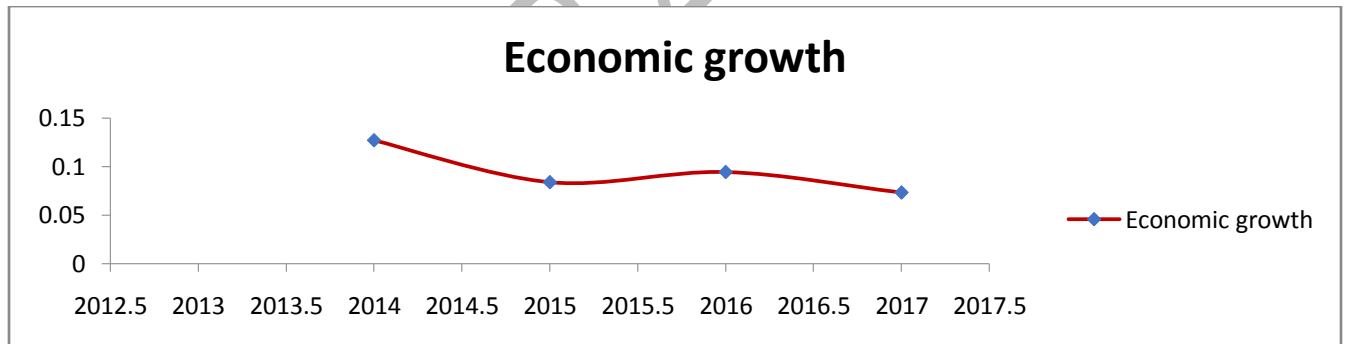


Figure 17: Kisumu County Economic Growth Trend



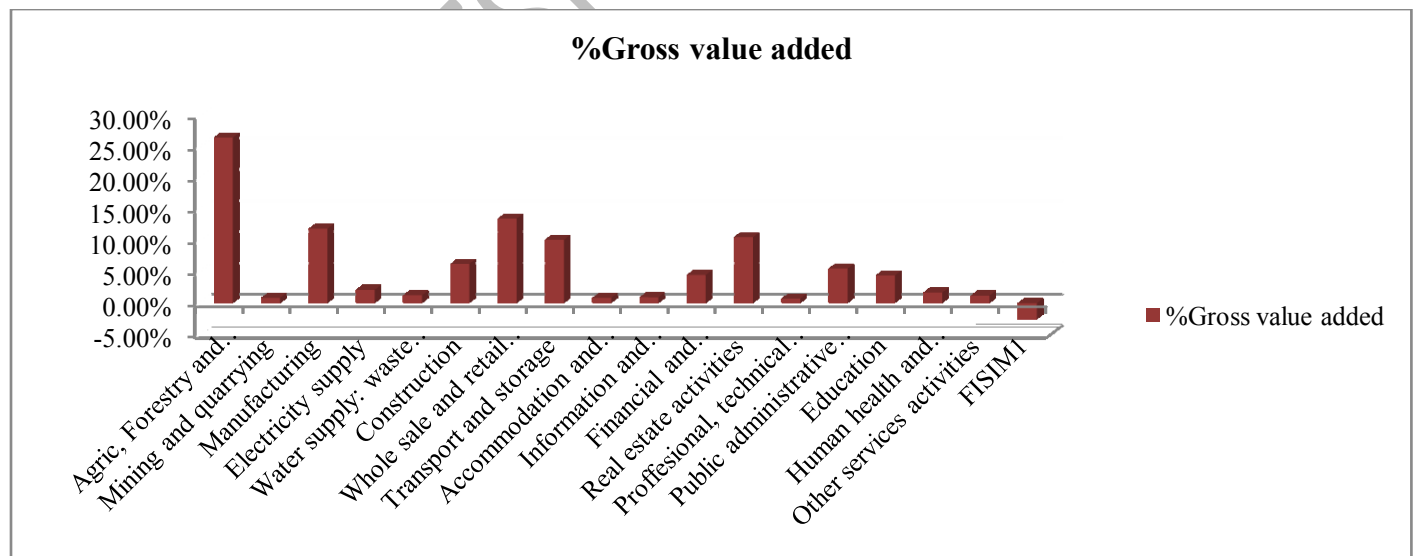
Economic growth is the increase in the inflation adjusted market value of the goods and services produced by the economy over time. The County economic growth was 7.36% in 2017. This growth has been declining due to slower growth in GCP over the time period 2013-2017.

Counties that are largely dominated by urban centers, notably Nairobi City, Mombasa and Kisumu have had their shares of GCP consistently decline over the period mostly due to growth in agriculture’s contribution to gross domestic product. On the other hand, counties with strong presence of agricultural activities, **particularly horticulture, have consistently improved their share of GCP over the period.**

Kisumu County’s economy is majorly driven by the agricultural, forestry and fishing sector. However, this has been underexploited hence affecting our overall GCP. The service sector which is also a major driver of the economy has shown slower growth over the past.

3.2.4.3 GCP CONTRIBUTION PER SECTOR

Figure 18: Sectorial Contribution to GCP



The major contribution to Kisumu GCP is agriculture, forestry and fishing at 26% while wholesale and retail, manufacturing, real estate activities and transport and storage follow at 13.4 percent, 11.8 percent, 10.5percent and 10.1 percent respectively. The County’s strategy in

agricultural revitalization through rehabilitation of wetlands and expansion of irrigation schemes will increase agricultural output. This is expected to increase the GCP.

3.2.4.4 PER CAPITA GROSS COUNTY PRODUCT

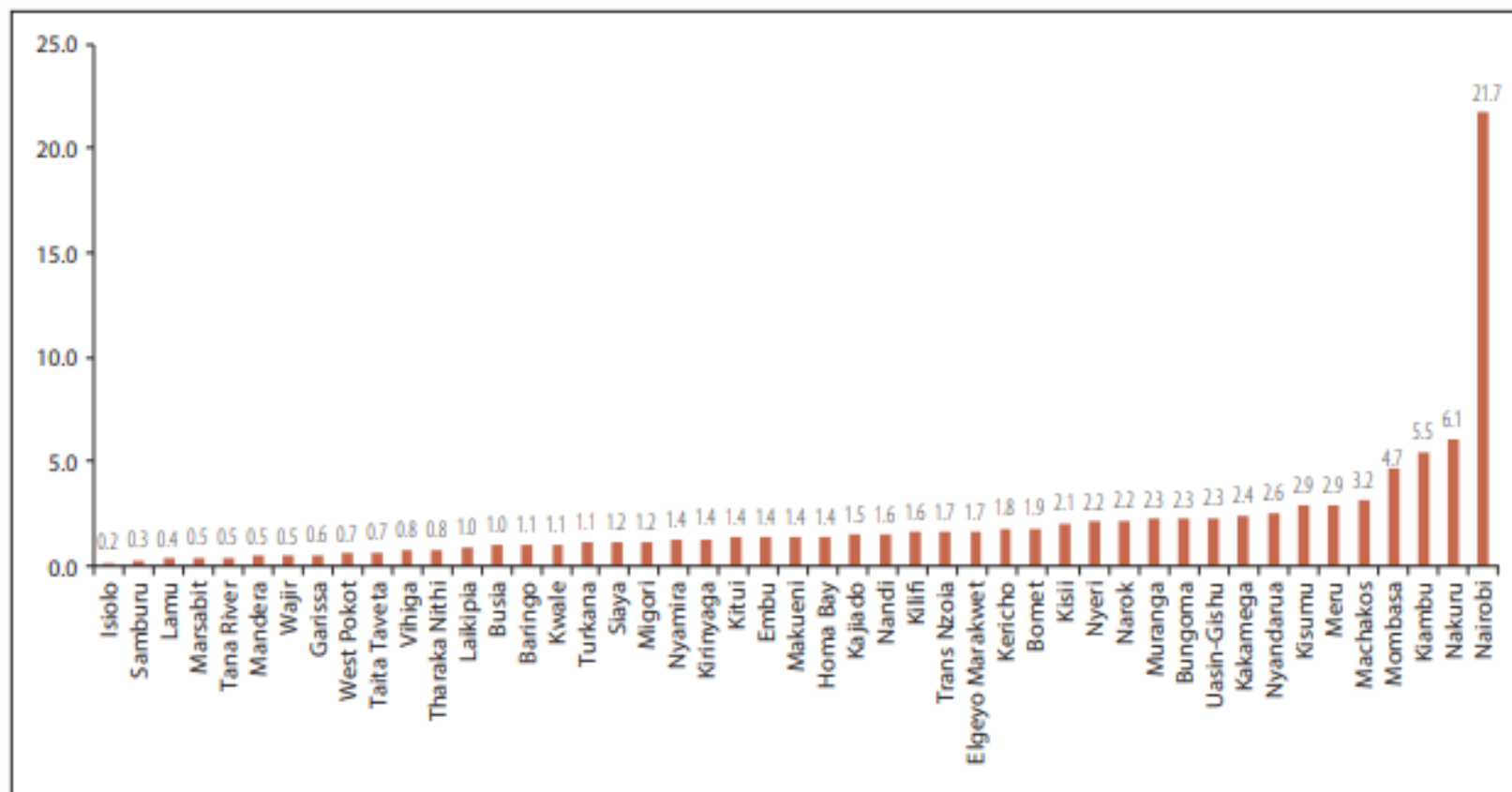
Table 9 :Kisumu County Per Capita Gross County Product

	GCP-2017	Population Projection 2017	Per Capita GCP,2017
2009 Prices (Real Prices)	115,128,000,000	1,145,749	100,483
Current Prices (2017-Nominal Prices)	194,489,000,000	1,145,749	169,748

This is a measure of County Economic Output shared equally among its population. It is an indicative measure of County standard of living. The real GCP in 2017 was Ksh100 483 in 2017 while the nominal GCP per capita was Ksh.169 748. Kisumu County's living standards was above the national real GDP per capita which was Ksh.96 779 in 2017.

3.2.4.5 GCP ACROSS COUNTIES

Figure 19: GCP Comparison to other counties



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Kisumu was ranked position seven in gross value added to the national GDP which was at 2.9%. Kisumu County has a potential in the agricultural and service sector, the service sector has scope for expansion in towns that are outside the city of Kisumu.

DRAFT KCFSP 2021/2022 FY

**4.0 CHAPTER FOUR
RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE
ALLOCATION**

DRAFT KCFSP 2021/2022 FY

4.1. RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE ALLOCATION

Table 10: Summary of County Funding

Revenue Items	Approved Estimates 2020/2021	Projected Estimates 2021/2022
Opening Balance	968,038,494	746,540,666.00
Equitable Share	6,838,321,494	6,788,749,938
DANIDA	19,440,000	19,440,000
KDSP (WORLD BANK)	45,000,000	45,000,000
Universal health Care	254,545,521	204,545,322
Level 5 conditional Grant(reducing)	369,017,341	369,017,341
Conditional Allocation - Development of Youth Polytechnics	45,349,894	45,349,894
EU Water Tower Protection and Climate Change Mitigation and Adoption Programs	34,868,974	
World Bank Grant for transforming health system	57,625,645	54,033,109
Sweden - Agricultural Sector Development Support Programs (ASDSP) II + Balance c/f in FY 2017/2018	13,186,151	20,686,151
IDA World Bank Kenya Urban support Programs (KUSP)	773,573,300	
IDA (World Bank)-Kenya Climate Smart Agriculture Project (KCSAP)	240,035,100	278,639,836
Kenya Urban Support Programs (KUSP)-Urban Institutional Grant	8,800,000	
Conditional Allocation For compensation for user fee forgone	21,299,489	21,299,489
Conditional Allocation for Road Maintenance Fuel Levy Fund	203,758,538	203,758,538
Covid-19 Fund	278,220,000	
EU Grant for Instrument for Devolution Advice & Support (IDEAS)	15,626,168	
Total Share of National Revenue	10,186,706,109	8,797,060,284
Main Revenue Streams		0
Market Fees	131,726,647	105,290,390
Parking Fees	131,530,846	115,004,261
Bus Park	168,216,655	116,117,000
Boda-boda self-regulation	32,100,000	32,100,000
Rents	46,622,714	62,613,319
Land Rates	231,869,266	510,000,000
Single Business Permits	159,800,000	238,226,649
Building Plans	33,090,911	50,000,000
Liquor Licenses	32,100,000	15,000,000
Sign Board promotion etc.	87,740,000	92,672,500
Public Health	13,210,000	5,000,000
Cesses - Others	58,961,667	11,898,100
Stock Ring	-	2,882,400
Tuk Tuk	-	144,000

Stickers	-	36,000,000
Sundry	-	32,900
Beaches	-	949,000
Subtotal for main revenue streams	1,126,968,706	1,393,930,519
Health	342,400,000	264,533,100
Agriculture, mechanization and training	16,050,000	16,050,000
Commerce, Trade and Tourism	1,872,500	1,872,500
Industrialization / Cooperatives	74,900	74,900
Educ. Sports, Social services etc.	8,560,000	8,560,000
Physical planning /Public works	3,210,000	3,210,000
Water	10,700,000	10,700,000
Roads, Public Works Equipment Hire & Supervision	59,920,000	1,000,000
Energy and Mining	2,461,000	2,461,000
Green Energy and Mining	4,815,000	4,815,000
Environment (Pollution Administrative & Restoration charges)	2,140,000	2,140,000
Total Revenue from other sources	452,203,400	315,416,500
Gross Locally Collected Revenue	1,579,172,106	1,709,347,019
GRAND TOTAL	11,765,878,215	10,506,407,303

4.2 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 85 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.8.7B** in FY 2021/2022 while the total revenue is projected at **Kshs.10.5B** in FY 2021/2022. The total revenue includes the County's share of national revenue as well as locally collected revenue.

4.3 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 **45** per cent of the total revenue.
- ii. **Development expenditures** are shared out on the basis of CIDP priorities as well as strategic interventions to boost revenue base and stimulate the economic growth as outlined in the Governor's Manifesto. The Development expenditures are estimated at **30** 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 will account for 25 per cent of the total estimated 4.1.

4.4 REVENUE PERFORMANCE FOR FIRST AND SECOND QUARTER OF THE FY 2020/2021.

Table 11: Locally collected Revenue First and Second Quarter 2020/2021

Revenue Streams	First Quarter	Second Quarter
Main Revenue Streams		
Land Rates	15,640,735	6,799,392
Rents	4,379,104	3,886,188
Trade license fees	21,337,728	7,032,949
Bus Park Fees	19,434,600	27,470,650
Parking Fees	19,857,620	23,087,680
Cess fees	4,406,967	5,145,312
Clamping Fees	76,500	96,000
Market Fees	12,233,930	17,852,640
Building Plans	9,014,833	6,538,400
Sign Board promotion etc	13,664,823	8,052,477
Sundry revenue	2,546,809	784,385
Boda Boda	0	0
Public Health and Others	411,050	551,300
Sub-Total	123,004,699	107,297,373
Revenue from Departments		
Health	8,887,259	5,270,655
Agriculture, Livestock and Fisheries	1,224,711	453,261
Commerce, Tourism, Trade and Heritage	12,900	530,440
Water	0	0
Lands, Housing and Physical Planning	1,854,600	3,076,850
Education, Youth, Culture and Sports	1,106,030	2,714,210
Industrialization and Enterprise Dev.	0	0
Liquor License	1,599,300	1,066,000
Green Energy	0	0
Energy & Mining	0	0
Environment	121,500	168,200
Roads, Transport and Public Works	433,950	238,750

Governance and Administration	317,550	520,900
Pay bill	0	0
Direct payment to KCRA	0	0
Sub-Total	15,557,800	14,039,266
Grand Total	138,562,499	121,336,639

Source: Revenue Collection Report 2020/2021

The County Government targets to collect Kshs.1,709,347,019 in the FY 2021/2022 as its Own Source Revenue. However, revenue performance shows that only 15.23 per cent of the target has been realized. This percentage is expected to improve when much revenue is collected from structured streams in the third quarter. Because of the expected shortfall in revenue due to COVID-19 related issues and slowdown in business activities, County Government of Kisumu will continue to enhance revenue collection by implementing the following initiatives: finalization of revenue management system by undertaking systems integration, acquisition of ICT infrastructure such as POS machines, recruitment and training of revenue personnel and implementation of valuation roll in the FY 2021/2022.

4.2. PROPOSED SECTOR CEILINGS

The sector ceilings are based on sector priorities and the proposed budget for ADP FY 2021/2022. The departmental ceilings are inclusive of conditional grants.

Table 12: Proposed Sector Ceilings for 2021/2022

Department	Personnel	O & M	Development	Totals
Agriculture, Irrigation, Livestock and Fisheries	183,029,016	26,668,739	329,563,232	539,260,987
The County Assembly	330,781,680	371,139,814	71,899,347	773,820,841
City of Kisumu	247,426,844	94,397,509	122,407,191	464,231,544

County Public Service Board	29,919,530	35,295,413	0	65,214,943
Education, Human Resource Development and ICT	359,291,976	246,226,160	236,335,240	841,853,376
Office of the Governor and County Administration	285,181,736	267,102,952	62,094,890	614,379,578
Health Services	2,782,352,785	600,305,195	232,078,128	3,614,736,108
Energy and Industrialization	19,237,834	24,464,107	86,050,446	129,752,387
Tourism, Culture, Arts and Sports	27,750,263	40,149,423	87,423,070	155,322,755
Roads, Transport and Public Works	54,862,017	194,126,394	203,758,538	452,746,949
Lands, Housing, Physical Planning and Urban Development	33,172,176	41,062,126	83,011,064	157,245,366
Business, Cooperatives and Markets	52,165,657	23,191,395	105,407,588	180,764,640
Finance and Economic Planning	277,665,215	600,665,215	1,284,579,982	2,162,910,412
Water, Environment and Natural Resources	77,478,377	29,375,564	247,313,474	354,167,416
Total	4,760,315,107	2,594,170,006	3,151,922,190	10,506,407,303

ANNEX1: FISCAL PERFORMANCE BY COUNTY DEPARTMENTS

Table 13:Fiscal Performance by County Departments

Department	Budget Allocation (ksh. Million)		Exchequer issues (Ksh.Million)		Expenditure (Ksh.Million)		Expenditure to Exchequer issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and county Administration	517.76	34	506.4	7.18	439.68	-	86.8		84.9	-
Finance and Economic planning	1570.45	1731.35	1007.8	783.86	1149.6	1560.67	114.1	200.8	73.2	90.2
Agriculture, Livestock, and Fisheries	237.73	167.36	227.37	152.85	220.14	116.03	96.8	78.9	94.6	69.3
Education, Human Resource Development & ICT	401.59	225.64	195.93	75.03	172.49	88.84	88	143.7	43	39.4
Tourism, Culture, Arts and sports	104.56	35.5	100.62	1.5	58.15	4.11	57.8	407.3	55.6	11.6
Physical planning, Lands, Housing & Urban level	25.45	90.23	18.93	47.38	21.82	47.38	115.3	100	85.7	52.5
Public works, Roads and Transport	176.53	455.91	168.72	261.04	114.23	193.87	67.7	78	64.7	42.5
Health Services	3,569.18	234.55	3,310.59	129.12	3,180.19	125.32	96.10	116.6	89.10	53.4
Water, Environment and Natural Resources	78.15	228.44	61.04	19.98	46.56	117.22	76.3	586.7	59.6	51.3
Business, Co-operatives and Markets	31.47	156.75	28.46	52.41	19.33	45.7	67.9	191.4	61.4	29.2
Energy and Industry	51.41	71.3	51.39	3.99	25.13	9.89	48.9	436.8	48.9	13.9
County Assembly	696.92	20	696.87	12.2	695.59	12.2	99.8	100	99.8	61
City of Kisumu	620.5	635.73	620.5	593.46	566.63	58.53	91.3	10.2	91.3	9.2
County Public Service Board	47.53	-	44.48	-	31.31	-	70.4	-	65.8	-
Total	8,129.21	4,086.75	7,039.11	2,140.00	6,740.83	2,379.77	95.80	117.80	82.90	58.20

Source: Kisumu County Treasury

Analysis of expenditure by department shows that the Department of Finance and Economic Planning recorded the highest absorption rate of development budget at **90.2** per cent while the Office of the Governor and County Administration did not report expenditure on development activities. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at **99.8** per cent while the Department of Education Human Resource Development and ICT had the lowest at **43** per cent.

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