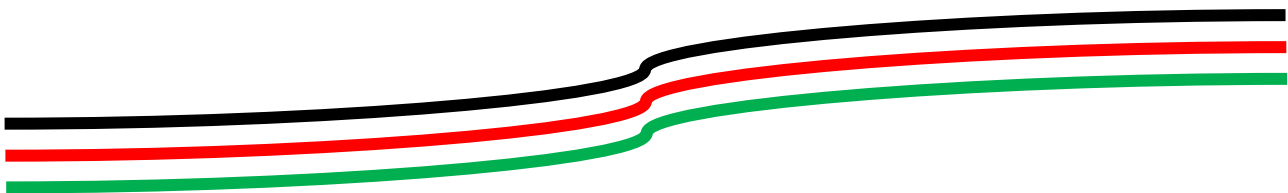




COUNTY GOVERNMENT OF KISUMU

KISUMU COUNTY FISCAL STRATEGY PAPER (KCFSP) FY 2023/2024

THEME: *Towards a peaceful and prosperous county*



FOREWORD

The Kisumu County Fiscal Strategy Paper FY 2023/2024, which is the first to be prepared under the 3rd County Integrated Development Plan (2023-2027), is based on the framework of BUILDING FOR THE FUTURE, setting out the Administration's priority programs, policies, and reforms to be implemented in the Medium-Term Expenditure Framework (MTEF). The 2023/2024 CFSP will prioritize the implementation of economic recovery strategies of the Administration to reposition the County's economy on a steady, inclusive and sustainable growth trajectory.

It is framed against a backdrop of national economic slowdown underpinned by elevated global inflation, the lingering effects of the COVID-19 pandemic, persistent supply chain disruptions, and the drought effects that have created urgency on food security and climate change effects. This urgency allows us to refocus investments on mitigation, adaptation, and firm resilience. The County has continued to record positive economic development due to improved infrastructure, a revitalized agricultural sector, and significant investments in other sectors, including health, education, and trade.

To keep this development pace, the focus of FY 2023/2024 will be on consolidating the gains and initiating new programmes and projects. Similarly, 2023/2024 CFSP projects a budget of KES 10,485,382,172.56 in the 2023/2024 Financial Year.

Over the years, we have learned the importance of laying a firm financial base for the County Government through the minimization of debt and maximization of revenues. We intend to achieve this with the CFSP (2023/2024) and the budget estimates to be drawn from the strategy paper.

The document reflects the aspirations of the people of Kisumu County towards institutional strengthening of the County Government, service delivery to the people, and welfare gains for County workers. All of these are to be achieved alongside our continued focus on the annual credit rating of the County Government of Kisumu as part of a pilot project involving a few selected counties in the Republic of Kenya.

GEORGE OKONG'O
CECM, FINANCE, ECONOMIC PLANNING AND ICT SERVICES.

ACKNOWLEDGEMENT

The County Fiscal Strategy Paper 2023/2024 has been prepared in compliance with the provisions of the Public Finance Management Act, 2012. It outlines the current state of the economy, provides fiscal outlook over the medium term and specifies the set strategic priorities and policy goals together with a summary of the county's spending plans, as a basis of the FY 2023/24 budget.

The preparation of the 2023/2024 CFSP was a collaborative effort among various County Government Departments. We are grateful for their inputs. We thank all the spending units, the county departments and agencies for timely provision of information.

We express our gratitude to the leadership of H.E the Governor, H.E the Deputy Governor and the entire County Executive Committee Members for their support and inputs. We would like to acknowledge the unlimited support and guidance by the Executive Committee Member – Finance, Economic Planning and ICT, and grateful to the dedicated team from the Economic Planning and Budgeting directorate that spent substantial amount of time putting together this CFSP document.

WILSON ABIERO

AG. CHIEF OFFICER FINANCE, ECONOMIC PLANNING AND ICT SERVICES.

TABLE OF CONTENTS

FOREWORD.....	ii
ACKNOWLEDGEMENT.....	iii
LIST OF FIGURES.....	vii
LIST OF TABLES.....	viii
CHAPTER ONE.....	1
1.0 FISCAL RESPONSIBILITY PRINCIPLES AND LEGAL BASIS FOR CFSP.....	1
1.1 PREAMBLE.....	2
1.2 LEGAL BASIS FOR THE COUNTY FISCAL STRATEGY PAPER.....	3
1.3 FISCAL RESPONSIBILITY PRINCIPLES FOR THE NATIONAL AND COUNTY GOVERNMENTS.....	4
1.4 OVERVIEW OF THE COUNTY FISCAL STRATEGY PAPER.....	5
1.4.1 OBJECTIVE OF THE CFSP.....	5
1.5 LINKAGE WITH THE VISION 2030, SDGs AND MTPs.....	6
CHAPTER TWO.....	7
2.0 SECTOR REVIEW FOR THE FY 2021/2022 AND PRIORITIES FOR FY 2023/2024.....	7
2.1 INTRODUCTION.....	8
2.1.1 FINANCE, ECONOMIC PLANNING & ICT SERVICES.....	8
2.1.2 TRADE, TOURISM, INDUSTRY & MARKETING.....	10
2.1.3 INFRASTRUCTURE, ENERGY & PUBLIC WORKS.....	11
2.1.4 MEDICAL SERVICES, PUBLIC HEALTH & SANITATION.....	12
2.1.5 WATER, ENVIRONMENT, NATURAL RESOURCES & CLIMATE CHANGE.....	13
2.1.6 AGRICULTURE, FISHERIES, LIVESTOCK DEVELOPMENT & IRRIGATION.....	14
2.1.7 EDUCATION, TECHNICAL TRAINING, INNOVATION & SOCIAL SERVICES.....	16
2.1.8 LANDS, PHYSICAL PLANNING, HOUSING & URBAN DEVELOPMENT.....	17
2.1.9 PUBLIC SERVICE, COUNTY ADMINISTRATION & PARTICIPATORY DEVELOPMENT, OFFICE OF THE GOVERNOR.....	18
2.1.10 CITY OF KISUMU.....	19
2.1.11 COUNTY ASSEMBLY OF KISUMU.....	21
2.1.12 COUNTY PUBLIC SERVICE BOARD.....	21
2.1.13 SPORTS, CULTURE, GENDER AND YOUTH AFFAIRS.....	22
CHAPTER THREE.....	23
3.0 RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK.....	23

3.1 OVERVIEW	24
3.2 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK	24
3.2.1 GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS	24
3.2.2 DOMESTIC ECONOMIC DEVELOPMENTS	25
3.2.3 QUARTERLY GDP GROWTH OF 2022	25
3.2.4 INFLATION RATE	27
3.2.5 KENYA SHILLING EXCHANGE RATE	27
3.2.6 INTEREST RATES	28
3.2.7 MONEY CIRCULATION AND CREDIT	29
3.2.8 BALANCE OF PAYMENTS	29
3.2.9 CAPITAL MARKETS DEVELOPMENT	30
3.2.9.1 NAIROBI SECURITIES EXCHANGE	30
3.3 COUNTY FISCAL PERFORMANCE	31
3.3.1 OWN SOURCE REVENUE PERFORMANCE	31
3.3.2 EXPENDITURE PERFORMANCE	32
3.3.3 INFLATION	33
3.3.4 KISUMU COUNTY ECONOMIC GROWTH	33
3.3.5 PER CAPITA GROSS COUNTY PRODUCT	35
CHAPTER FOUR	36
4.0 FISCAL POLICY AND BUDGET FRAMEWORK	36
4.1 INTRODUCTION	37
4.2 FISCAL STRUCTURAL REFORMS	38
4.3 MEDIUM TERM DEBT MANAGEMENT STRATEGY	39
4.3.1 DEBT MANAGEMENT OBJECTIVES AND SCOPE	39
4.4 COUNTY GOVERNMENT OF KISUMU DEBTS	39
4.4.1 CATEGORY AND PRINCIPAL RISK ASSOCIATED WITH DEBT	40
4.4.2 STRATEGIES OF DEALING WITH DEBT IN THE MEDIUM TERM	41
4.4.3 GENERAL DEBT RISK ANALYSIS	42
4.5.1 DETERMINATION OF RESOURCE ENVELOPE	43
4.5.2 CONDITIONAL GRANTS	44
4.5.3 RESOURCE ENVELOPE FOR FY 2023/2024	44
4.6 REVENUE PERFORMANCE FOR FIRST AND SEC OND QUARTER OF THE FY 2022/2023.	46

4.6.1 CRITERIA FOR RESOURCE SHARING	47
4.8 EXPENDITURE FOR 1ST HALF 2022/2023	48
4.9 PROPOSED EXPENDITURE CEILINGS FOR 2023/2024.....	49

LIST OF FIGURES

Figure 1: Inflation rates trend	27
Figure 2: Exchange Rate	27
Figure 3: Performance of Selected Currencies against the US Dollar (December 2021 to December 2022).	28
Figure 4: Short Term Interest Rates, Percent	28
Figure 5: Money Circulations and Credit (12 Months to December 2022 Ksh billion)	29
Figure 6: Foreign Trade Summary Statistics	30
Figure 7: Performance of the Nairobi Securities Exchange.....	30
Figure 8: Kisumu County GCP Deflator.....	33
Figure 9: Kisumu County Economic Growth Trend.....	34
Figure 10: Kisumu County GCP Trend	34
Figure 11: GCP Contribution per Sector.....	34

LIST OF TABLES

Table 1: Overview of the World Economic Outlook Projections at Market Exchange Rate Weights	25
Table 2: Gross Domestic Product by Activity, Growth Rates	26
Table 3: Own Source Revenue Performance	31
Table 4: Expenditure Performance	32
Table 5: Kisumu County GCP deflator/Inflation	33
Table 6: Kisumu County Economic Growth.....	34
Table 7: Per Capita Gross County Product	35
Table 8: Total County Pending bills portfolio	39
Table 9: Category and Principal Risk Associated with Debt.....	40
Table 10: General debt risk analysis table	42
Table 11: Kisumu County Resource Envelope (KES).....	44
Table 12: Locally collected Revenue First and Second Quarter 2022/2023	46
Table 13: Expenditure up to December 2022	48
Table 14: Proposed Sector Ceilings	50

CHAPTER ONE

1.0 FISCAL RESPONSIBILITY PRINCIPLES AND LEGAL BASIS FOR CFSP

1.1 PREAMBLE

The County Fiscal Strategy Paper (CFSP) is a government policy document that sets out the broad strategic priorities and policy goals to guide the County Government in preparing the budgets for the subsequent financial year and over the medium term. In the document, adherence to the fiscal responsibility principles demonstrates prudent and transparent management of public resources in line with the Constitution and the Public Finance Management (PFM) Act, 2012.

The County Treasury pursuant to section 117(1) and (6) of the Public Finance Management Act (PFMA), 2012 is mandated to prepare and submit the Fiscal Strategy Paper to the County Assembly, by the 28th February of each year, and subsequently publish and publicize it not later than seven days after it has been submitted to the County Assembly.

In accordance to section 117(2) of PFM Act 2012, the County Treasury has aligned the proposed revenue and expenditure plan to the national financial objectives contained in the National Budget Policy Statement (BPS) for 2023. The Fiscal strategy paper outlines the county's fiscal policies in the context of prevailing macroeconomic policies and outlook while articulating the County's broad strategic priorities and policies for the fiscal year 2023/2024.

The proposed strategic policy priorities for the fiscal year 2023/2024 represent a consultative approach that has taken a keen consideration of the views and opinions of the public, the Commission on Revenue Allocation and other stakeholders within our County.

Indeed, Sub county-based forums were publicized and accorded to all Kisumu citizenry in each of the seven (7) Sub Counties and their inputs thereof greatly inform the strategic thrust of this Paper. Details of development priorities have been articulated in the County Integrated Development Plan (2023-2027).

This Fiscal Strategy Paper outlines economic policies and structural reforms as well as sector-based expenditure programmes that the county government intends to implement in the medium term in order to achieve the broader goal of the County government's development agenda. The proposed fiscal framework ensures continued fiscal discipline and provides support for sustained growth, broad-based development that benefits all. The County Fiscal Strategy Paper contains information on:

- i. Broad strategies, priorities and policy goals to be pursued by the County Government (CG) in the medium term;
- ii. County outlook on revenues and expenditure projections.
- iii. an assessment of the current state of the economy including macroeconomic forecasts;
- iv. the financial outlook with respect to Government revenue, expenditures and borrowing for the next financial year and over the medium term;
- v. The proposed expenditure ceilings for the Sectors, including those of the County Assembly.

1.2 LEGAL BASIS FOR THE COUNTY 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 —

a) The Commission on Revenue Allocation;

b) The public;

c) Any interested persons or groups; and

d) Any other forum that is established by legislation.

(6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments.

(7) The County Treasury shall consider any recommendations made by the county assembly when finalizing the budget proposal for the financial year concerned.

(8) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.

1.3 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;
 - i. The county government's recurrent expenditure shall not exceed the county Government's total revenue;
 - ii. Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
 - iii. 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;
 - iv. Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
 - v. The county debt shall be maintained at a sustainable level as approved by county assembly;
 - vi. The fiscal risks shall be managed prudently; and
 - vii. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.
- (3) For the purposes of subsection (2) (d), short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue
- (4) Every county government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by a resolution of the county assembly.
- (5) The regulations may add to the list of fiscal responsibility principles set out in subsection (2).

1.4 OVERVIEW OF THE COUNTY FISCAL STRATEGY PAPER

The CFSP outlines interventions geared towards stimulating the growth of the county economy and as well as building community resilience for sustainable development and prosperity in line with ensuring households maintain growth in incomes in spite of the persisting shocks. The interventions are geared towards:

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

1.4.1 OBJECTIVE OF THE CFSP

The objective of the 2023 County Fiscal Strategy Paper is to set the framework for the preparation of the County budget estimates for Financial Year 2023/2024 as required under section 117 of the Public Finance Management Act, 2012. This Fiscal Strategy Paper contains the following:

- i. The principles that will guide the 2023/2024 budgetary process;
- ii. The broad fiscal parameters for the 2023/2024 budget and the key strategies and policies for management of revenues and expenditures;
- iii. The broad strategic priorities and policy goals that will guide the preparation of the budget over the medium term;
- iv. A discussion of risks to the budget parameters and budget strategies;
- v. The medium-term outlook for county government revenues and expenditures;
- vi. A discussion of how the Budget Strategies relates to the Medium-Term Fiscal Strategy (MTFS) and County Integrated Development Plan (CIDP); and
- vii. A framework for the preparation of departmental forward budget estimate.

1.5 LINKAGE WITH THE VISION 2030, SDGs AND MTPs

The County Fiscal Strategy Paper is closely linked to the Vision 2030, MPT IV, Sustainable Development Goals (SDGs), and the African Agenda 2063.

Vision 2030 being a long-term development blueprint that outlines the country's aspirations and goals for the next 30 years and beyond. The County Fiscal Strategy Paper aligns with Vision 2030 by providing the necessary resources and funding to support the implementation of the various initiatives and projects outlined in the blueprint. For example, the County Fiscal Strategy Paper allocate funding for infrastructure development, education, and healthcare, which are key priorities under Vision 2030.

The SDGs are a set of 17 goals adopted by the United Nations in 2015 to end poverty, protect the planet, and ensure peace and prosperity for all. Kisumu County Government has committed to achieving these goals and the County Fiscal Strategy Paper plays a critical role in supporting their attainment. For example, the County Fiscal Strategy Paper allocate funding for initiatives aimed at reducing poverty, improving access to education and healthcare, and protecting the environment, which are all in line with the SDGs.

The African Agenda 2063 is a strategic framework for the socio-economic transformation of the African continent over the next 50 years. Kenya is a member of the African Union and the County Fiscal Strategy Paper is aligned with the African Agenda 2063 by supporting the implementation of initiatives aimed at promoting economic growth and development, improving governance, and strengthening regional integration, among other things.

In conclusion, the Kisumu County Fiscal Strategy Paper is closely linked to the Vision 2030, SDGs, and the African Agenda 2063, as it provides the necessary resources and funding to support the implementation of initiatives and projects aimed at promoting sustainable development and economic growth in the country. The County Government will leverage on its comparative advantage in resource availability within the framework of the BLUE ECONOMY to enhance the productive sector and promote export while promoting growth in the service industry. An environment of fiscal discipline will be necessary if the County is to navigate through the global and domestic challenges in and order to sustain and improve the resilience of the county economy.

CHAPTER TWO

2.0 SECTOR REVIEW FOR THE FY 2021/2022 AND PRIORITIES FOR FY 2023/2024

2.1 INTRODUCTION

This chapter provides the county development performance and achievements in the FY 2021/2022 and departments priorities/strategies for the county line departments in the financial year 2023/2024.

2.1.1 FINANCE, ECONOMIC PLANNING & ICT SERVICES

Finance and Economic Planning Department the main focus in 2021/2022 financial year was on payment of pending bill, Revenue System and Construction of Conference Facility. Similarly, County Treasury made good improvement in the payment of pending bills, with a total of Kshs.509, 150,046 actual payment against a budget of Kshs. 687,749,190. Moreover, the department ensured that there is a clear linkage between priority programs and projects from the county line departments in the County Integrated Development Plan (CIDP II), Annual Development Plan (ADP 2022/2023), Fiscal Strategy Paper (2022/2023) and the County Budget estimates (2021/2022).

During the period under review 2021/2022, the Directorate of Information Communication Technology (ICT) had planned to improve ICT hardware and software/systems status by procuring 25 more workstations. However, this number rose to 110 due to the roll out of Digitization and Automation of County processes and services programme. The Directorate also planned to secure 30 CGK facilities and installations by deployment of CCTV Surveillance and Access/ Biometric controls. Only 3 facilities and facilities were secured due to low budget allocation. Through the County Integrated Network Infrastructure programme, 70 County institutions were to be connected. Due to low budget allocation to the Directorate, only 4 institutions were connected.

Moreover, during the same period, 4 out of the 7 planned model ICT centres were established across the County as a result of inadequate funding. Through the Digital Literacy programme, only 527 of the planned 5000 youths were trained. The Directorate lacked budget allocation to meet the set target. Five (5) ICT policy and strategy documents were to be developed. Only the ICT Policy draft was developed but not validated and approved due to zero budget allocation. The Directorate also planned to automate 50 County Government of Kisumu services and have them hosted at the County Data centre that currently hosts 6 system. The low rate of implementation has been occasioned by low budgetary allocation.

In the financial year 2023/2024, the department will focus on the following key strategic priorities:

Resource mobilization/Revenue collection: To minimize revenue leaks, the County Government plans to switch to an automated digital revenue collection platform. The main tenets of automation include the implementation of pay-bills for healthcare facilities and other departmental revenue streams, the integration of the County Revenue Management System with revenue collection banks, and the use of national government institutions like the National Transport & Safety Authority (NTSA), Business Registration Services (BRS), Integrated Financial Management & Information System (IFMIS), Edams, and World Bank E-Citizen.

Budget coordination and management: Consolidation and preparation of annual budget estimates; submitting CABEs to the county assembly for approval; preparation of the Appropriation Bills and Acts; Prepare and publish County Budget Review and Outlook Paper; Capacity building of county employees on County Budget Processes through training and sensitization; Enhanced Consultations; Resource mobilization through organizing and participating in County, National and International Conferences.

Accounting Services: Capacity building in financial management processes, reconciliation of previous year's accounts on IFMIS, Responses on Auditor-General's reports.

Asset Management Services: The department will focus on; Development of a Risk policy document; Implementation of Asset Management Policy, Payment of Pending Bills, and adherence to international and national accounting standards.

Debt management is a central part of this CFSP, as the County Government aims at reducing pending bills to nil balances which as of February 2023 stood at KES 3,520,716,348.94.

Procurement and Supply Chain Management: The County is currently implementing the e-procurement, the department will enhance capacity building on e-procurement to ensure all the LSOs and LPOs are committed in IFMIS in order to reserve funds. Boarded/unused assets lying idle will be disposed-off according to the Public Procurement and Disposal of Assets Act, 2015 and the proceeds applied to supplement the resource envelope. The department will prioritize this critical area in the FY 2023/2024.

Planning and Policy Formulation, the department will develop budgetary cycle documents including: County annual development plan 2024/2025, County budget review outlook paper, Finance Bill and Budget Estimates.

Access to dedicated Internet services: The Directorate plans to increase internet connectivity bandwidth from the current 120Mbps to 350Mbps so as to mitigate the current challenges of demand and capacity.

Kisumu County Integrated Network Infrastructure (KCINI): Three (3) additional County institutions to be covered on both LAN and WAN connectivity. This will bring the total number of facilities and institutions covered on LAN/WAN to seven (7).

Digitization and Automation of Government Services: The Directorate in partnership and collaboration with user departments is planning to enhance revenue management system to include end to end automation of revenue stream and deploy Health Management System (Kisumu County Integrated Health Management System) in our health facilities as our major project this financial year. To enhance internal processes, Electronic Document and Records Management System (EDRMS) will also be enhanced. Integration of systems to give customers access to digital services has also been planned. Rotary Business Innovation and Incubation Center will be improved to start Digital Empowerment Programs.

Enhancement of ICT resources utilization environment: To streamline ICT related work and utilization environment, the Directorate is planning to validate the draft ICT policy and

immediately develop Kisumu County ICT Strategic Plan and Road Map. Equally the Directorate is planning to improve Kisumu County ICT related procurement and Standards Framework to factor in challenges and opportunities brought about by the recent pandemic.

Under Lakefront Development Corporation, the department plans in the 2023/2024 financial plans to implement five strategic programs, these comprises of: Infrastructural development (Promenade road, Backfilling and Dredging); Maritime transport and trade enhancement programme; Environmental and climate change programme; Blue Economy support programme including establishment of a fish processing plant, cooling storage; and Offer support service including M&E, R&D.

In order for this department to achieve its priorities/strategies objectives, the county treasury proposes an allocation of **KES 2,457,561,792.84** which represent **23.44%** of the county proposed resource envelope for the financial year 2023/2024.

2.1.2 TRADE, TOURISM, INDUSTRY & MARKETING

In line with the department's mandate, various initiatives were rolled out in the FY 2021/2022, which included the Completion of Pap - Onditi modern retail market in Central Nyakach ward in Nyakach Sub County, which has 210 stalls and is currently on course. This will improve the business volumes for traders once completed; completed Korowe modern retail market with a capacity of 132 stalls in Nyando Sub County, Kobura Ward. This project is complete; constructed nine market sheds at Koru in Muhuroni sub-county, Oboch in Nyalenda 'B, in Kisumu Central sub-county, Sigoti, Kodong'a, Apoko, Omwonyo Lee in Nyakatch sub-county kobongo Ndori (South West Nyakach), Jua Kali - Nyuki (Railways ward in Kisumu Central) and Angola Markets in Kisumu East sub-county. Not only were sheds constructed, but the general physical outlook of the markets were improved by murraming and fencing; Purchased and distributed ten hatcheries to youth co-operative societies in Kondele Ward in Kisumu Central Sub County; purchased 80 solar kits for youth and women co-operative societies in North Seme and 240 kits for co - operative society members in Kondele Ward in Kisumu East Sub County, Procured one brick making machine for youth co-operative societies in Nyalenda "A" ward of Kisumu East Sub County, Purchased one Lathe machine for youth co-operative societies at Nyalenda "A" ward to promote quality and efficiency in the Jua - Kali sector.

In the first half of financial year 2022-2023, Tourism directorate made the following achievements: Refurbishment of departmental boardroom; Acquisition of stage sound and lighting equipment; Tourism marketing and development; Ngware festival; County beach development; Tourism strategic plan development; Organized and participated in World Tourism Day celebrations; Tourism standards development.

In the financial year 2023- 2024 the department will focus on the following key priority areas: Trade Development and Management; Fair Trade Services and Consumer Protection; Industrialization and Investment Promotion; Product Development, Marketing and Diversification; Cooperative Development and Management Services; and Alcoholic Licensing, Betting and Gaming Control.

Promoting and marketing tourism products for sustainable development, to develop and market Kisumu as a M.I.C.E destination of choice, to develop, promote and market tourism products for sustainable development by implementation of various projects and programs within its key thematic areas including refurbishment and maintenance, Tourism signages development program, development of tourism sites, M.I.C.E facilities development, mapping of infrastructure facilities, management of infrastructure facilities, partnerships and engagements, partnerships for continuous development, Tourism product and services development, and tourism destination marketing.

In order for this department to achieve its priorities/strategies objectives, the county treasury proposes an allocation of **KES 240, 687,513.00** which represent **2.30%** of the county proposed resource envelope for the financial year 2023/2024.

2.1.3 INFRASTRUCTURE, ENERGY & PUBLIC WORKS

During the period under review the Roads Unit opened 490kms of rural access roads, maintained 700kms of roads to gravel standards and 5.6kms of tarmac roads. The county targeted to rehabilitate 800kms of rural roads, 1,400kms of gravel road and 20kms of tarmac but were hindered by inadequate budgetary allocation to implement the programmes as well as delay in release of funds from the treasury.

The Public Works unit developed 750 building designs and specifications, supervised the construction of 500 buildings as per the developed designs and specifications during the period under review. In addition, the unit also conducted and reported on County Government fixed and movable assets. However, the public works policy was not developed due to constrained budget.

Similarly, the department targeted to construct 1 energy centre, install 4 Solar Power boxes, install 175 stand-alone solar lights, install 45 solarized boreholes, install 200 biogas plants, and distribute 2000 solar lanterns and 7000 energy conserving cook stoves / ethanol stoves and fuel. However, due to budgetary constraints and other challenges, the energy centre construction is still work in progress at 20% completion, 7kW solar micro-grid was installed at Kit Mikayi Cultural Centre, 4 solar lights and 1 biogas plant installed, 2257 solar lanterns and 280 gel stoves with 1,400 lts of gel fuel distributed. In collaboration with other development partners, the department managed to carry out 3 sensitization and awareness creation drives during clean cooking forums organized in 3 sub-counties. There was increase in the no. of solar lanterns distributed because the demand for solar lanterns rose after intense advocacy and the project were considered ward based hence increased allocation from the county treasury.

The directorate of Petroleum & Electricity targeted electrification of 100 villages, market centres and dispensaries, auditing of 15 county facilities, licensing of 52 petrol stations and development of county energy master plan. The directorate succeeded to install 98 high mast floodlights, rural electrification of 10 villages in collaboration with REREC, energy auditing of 9 county facilities (Hospitals & water pumping facilities) and inspection of 72 retail petrol stations. The directorate managed to slightly surpass the target in installation of floodlights and licensing of retail petrol stations because there was an increase in demand of floodlights in rural markets hence increased allocation and increased no. of petrol stations in the county. However, the mandate to regulate and license petrol stations was later withdrawn from counties by the regulator EPRA.

Due to enactment of Energy Act, 2019, the counties were given mandate to develop relevant Energy Policies and County Energy Plans (CEPs). In this regard, the department developed Sustainable Energy Policy to completion awaiting cabinet approval. Again, development of County Energy Plan (CEP) also commenced and is still work in progress. The delay was occasioned by deferment in gazette of Integrated National Energy Planning Framework (INEP) by the Ministry of Energy. In collaboration with ICLEI Africa, development of Roadmap Towards 100%RE transition is also in progress under a project dubbed “Towards 100% Renewable Energy in cities and regions for Climate Mitigation”.

The key priority areas of the department FY 2023 – 2024 are: Construction of 150Km new gravel ways, Rehabilitation and routine maintenance of 170Km rural Access roads, construction of 5Km new tarmac roads, climate proofing of 10meter drains road, and planting of 4,000 trees along the roads and nearby institutions. Designing of 20 green buildings, construction of 20 public buildings, maintenance of 5 government assets and formulation of 1 policy document, inspection of 40 vehicles and equipment. Grid connection of 1,200 households, electrification of 4Km of streets by street lighting, construction of 5 high mast floodlights in markets centres, dispensaries, beaches etc. Installation of 50 Solar floodlights/streetlights, establishment of 1Solar mini/micro grid, establishment of 1 solar farm and distribution of 500 solar kits to households among many projects prioritized this financial year.

In order for the Infrastructure, Energy and Public Works department to achieve its strategic objectives in financial year 2023/2024, the County Treasury proposes an allocation of **KES 459,015,972.49** which accounts for **4.38%** of the proposed resource envelope.

2.1.4 MEDICAL SERVICES, PUBLIC HEALTH & SANITATION

The Department of Health and Sanitation is the mandated body to implement the devolved functions of health as articulated in the Fourth Schedule of the Constitution of Kenya 2010.

In the FY 2021/2022, the Department was allocated Kshs. **3,700,532,621** which it used to finance its programs as follows:

County and Sub County Hospitals: In the County and Sub County hospitals, the hospitals managed to provide services, run their utility costs and provide emergency services

General Administration and Human Resource Management: Under the general administration and human resource management, the staff were paid their remunerations and Community Health Volunteers maintained on the payroll.

Health Promotion and Environmental Sanitation: Health Promotion and environmental sanitation concerned itself with strengthening of the community health strategy, community health digitalization agenda and promotion of wellbeing.

Specialized services at Jaramogi Oginga Odinga Teaching and Referral Hospital: The JOOTRH services were allocated funds independently to execute the mandate of the institution. The JOOTRH Cancer Centre was allocated fund for the phase of the construction.

Referral Services at Kisumu County Hospital: The referral services at Kisumu County hospital were allocated funds to finance the curative and referral health services and the construction, renovation and refurbishment of its infrastructure

Primary Health Care Services and Community Health Strategy: The primary health care services included formation of primary health networks, and maintain the community health volunteers

Surveillance, Emergency Response and Epidemic Control: The surveillance, emergency response and epidemic control conducted medical emergency response, disease investigations and general surveillance.

In the financial year 2023/2024 the department will prioritize to provide uninterrupted services, provide high quality services characterized by adequate and motivated staff, adequate medical supplies and sufficient diagnostic and support services. It is important to note that health care services are labor intensive technical services. To achieve this stability, the wage bill for the sector is envisioned to increase marginally above Kshs. **3,051,364,542**. The uninterrupted supply of pharmaceutical, non-pharmaceutical and laboratory diagnostic and support services are expected to cost at least Kshs. **400,000,000**. The maintenance of service delivery alone will be costing Kshs. **3,451,364,542**. The development priorities will focus on the renovations, expansions and refurbishment of hubs to functionalize the Primary Health Care Strategy, expand services at Kisumu County Referral Hospital and Jaramogi Oginga Odinga Teaching Hospital. The details of the planned priorities are in the County Annual Development Plan and the County Integrated Development Plan III.

A proposed allocation of **KES 3,527,846,726.43**, representing **33.65%** of the county proposed resource envelope in the financial year 2023/2024 will steer this department achieve it priorities.

2.1.5 WATER, ENVIRONMENT, NATURAL RESOURCES & CLIMATE CHANGE

The Water, Environment, Natural Resources, and Climate Change sector are one of the devolved sectors under Article 185 of the Constitution of Kenya (2010). The constitution also entrenches water and healthy environments as constitutional rights of every citizen. In addition, climate change mitigation and adaptation, an issue of global concern, is also addressed at the community level as a county function. The department comprises of two directorates; water and sewerage services, natural resources, and environment and climate change.

Some of the significant accomplishments in this sector included; the complete decommissioning of Kachok Dumpsite, and opening of Kasese Integrated Waste Management Facility, setup of 3 youth owned tree nurseries which managed to produce over 100,000 tree seedlings that have been planted in several institutions across the County, 6 Kilometers of drainages have also been opened up as part of on-going environmental conservation Programme to enhance proper drainage to minimize flooding which often has the detrimental effect of property and human lives.

In addition, the climate change subsector has compiled a baseline emission survey for energy access, developed of Kisumu County Climate Change Action Plan (2022-2027) supported by Expertise France; and set up a seedling production center at Pap Kadundo Seme, which produced 20,000 seedlings. The County also has the privilege of having a participatory climate change action plan which will provide a clear roadmap for project implementation, particularly in the upcoming Financing Locally Led climate actions (FLLOCA) program, which is a World Bank program.

The water subsector successfully implemented 15 water projects, while four more projects are still ongoing. Additionally, the sector focused on rehabilitating and expanding existing viable water supplies, developing a new strategy for managing rural water supplies to ensure sustainable operation and management of community-managed water projects.

In the financial year 2023/2024, the department will focus on the following key strategic priorities:

- Development, expansion, and rehabilitation of new water facilities,
- Strengthening management of rural water supplies
- Capacity building of staff and SSWSP (Small scale Water Service providers) on climate-resilient water safety planning.
- Enhancing networking and collaboration for alternative sources of funding for the directorate
- Improve Kasese Integrated Waste Management Facility to be efficient, effective, and up to standard for sustainable solid waste management.
- Strengthening the multi-Agencies interventions on illegal exploitation of natural resources through developing an Integrated County Environment Action Plan and joint forestry activities. The department will also continue with drainage works and beautification activities.
- Enhancing climate change resilience at the local level through Financing Locally led Climate Action (FLLOCA) projects selected and prioritized by the community through the bottom-up approach.
- Implantation of sector projects proposed through the (KCICCAP 2022-2027) covering sustainable energy, Climate Smart Agriculture, and Road infrastructure climate-proofed programs. The projects will be implemented through respective sectors by mainstreaming climate change activities in the projects.

In order for this department to achieve its priorities/strategies objectives, the County Treasury proposes an allocation of **KES 306,872,498.91** which represent **2.93%** of the total allocations.

2.1.6 AGRICULTURE, FISHERIES, LIVESTOCK DEVELOPMENT & IRRIGATION

To sustainably ensure food and nutrition security, the department implements programs that support smallholder farmers, youth, women, and fisherfolk. The projects fall under the broad categories of; Planning and coordination. Enhanced extension advisory services, increasing irrigable land area, Urban and peri-urban farming technologies, Development of agricultural value chains, Input, and credit access, improved market access, and product development.

During the year under review, the department was allocated **Kshs 807,980,095** for both Recurrent and Development expenditures. This amount included **Kshs 609,490,207 (75%)** for Development and **Kshs 198,489,888 (25)** as recurrent expenditure, respectively.

Utilization or absorption of the above allocation was **Kshs 491,412,112.40 (60.8%)**, of which **Kshs 298,838,536.60** was Development expenditure (**49.03%**), and **Kshs 192,573,575.80 (97.01%)** was recurrent expenditure.

Despite the many challenges encountered during the reported period, the sector has realized notable achievements in FY2021/2022. To mitigate climate change and promote diversification

of incomes through KCSAP, the following interventions were achieved: rehabilitation of Gem Rae in North Nyakach, Awach Kano in East Kano Wawidhi, Chiga in Kolwa, Siany CC3 irrigation schemes, construction of Kodikre and Holo Orucho water pans, construction of Kaloo borehole, CGK de-silted waterways, and canals in Kobura, Kabonyo Kanyagwal ward, Amilo village, land preparation in Kobura ward, Purchase and distribute 60 Irrigation equipment in North Nyakach, Ombeyi, North West Kisumu, and Kolwa East wards to farmers groups; Cassava cuttings and assorted certified seeds were also distributed to farmers/ farmer groups in Kolwa East, East Seme, North West Kisumu wards.

Milestones in crop value chain development have also been realized through increased adoption of mechanization and the use of improved and certified seeds/seedlings by farmers through sensitization and awareness created by the department extension staff; rice farmers have now adopted the use of certified seeds and use of combine harvester. The department distributed grafted Mango and Avocado seedlings, assorted vegetable seeds, and certified Maize seeds.

Significant Development of the dairy value chain development has been realized through the procurement and distribution of 126 in-calf dairy cows, 217 dairy & meat goats to farmers across the county and enhanced adoption of artificial insemination, procurement of vaccines which are expected to be entrenched by the on-going establishment of an EU funded dairy Support Centre. In the Development of Post-Harvest Handling Infrastructure, Fish Banda Kete was completed, provision of 219 lifesaving jackets to fisherfolk was also achieved, plus the supply of 137,000 fingerlings, ten fish harvesting nets, and the purchase of 1 motorized boat for patrols. Strides on poultry development were also made by providing improved day-old chicks and purchasing and installing four egg incubation units in Nyalenda B and Railway's wards.

In the financial year 2023/2024, the department will focus on the following key strategic priorities:

- Planning and Coordination Services: Drafting of bills for legislation
- Development of Human Resources: Requesting for recruitment of staff
- Promotion of Soil and Water conservation and Management- Laying of soil and water conservation structures; Promotion of farm forestry through the planting of fruit tree seedlings
- Development of urban, peri-urban, and special agriculture projects: Dissemination of urban and peri-urban agricultural technologies through setting up demonstrations in Urban and peri-urban centers, e.g., Conical gardens, multi-story gardens, etc.
- Management of Agriculture Advisory services: Dissemination of agricultural extension messages and technologies through Demonstrations, Field days, Exhibitions, Farm visits, and ASK shows.
- Development of crop value chains- clean planting materials to be procured and subsidized (Rice, Vegetables, Cotton, Sorghum, cassava, Maize and Beans, Fodder seeds
- Development of Livestock value chains- Procurement and distribution of Livestock for farmers in various Wards as the genetic pool for sourcing by many farmers.
- Development of fisheries value chains- Procurement and subsidization of fish feeds, cages, and fingerlings countywide.

- Development of Agriculture Mechanization: procuring tractors and implements for farmers within the county to enable timely and affordable land preparation for increased incomes.
- Pests and Diseases: Procurement of vaccines, acaricides, and insecticides
- Agriculture Credit Access-Establishment of a fund to offer affordable credit for agricultural development.
- Agriculture input Access: Procurement of bull semen, liquid nitrogen, and synchronizing Hormone; Fertilizer subsidy.
- Promotion of Agribusiness-Renovation of Maseno ATC; Construction of livestock Cattle dips; Purchase of incubation units(incubators) and poultry management equipment
- Promotion of value addition.

In order for this department to achieve its priorities/strategies objectives, the County Treasury proposes an allocation of **KES 255,836,088.00** which represent **2.44%** of the total allocations.

2.1.7 EDUCATION, TECHNICAL TRAINING, INNOVATION & SOCIAL SERVICES

The department has three directorates: the Directorate of Education, the Directorate of Technical Training and innovation, and the Directorate of Social Services.

In 2021/2021 the department focused on: Enhancing educational standards by increasing enrollment and retention in Education, accelerating expansion and equipment of modern Vocational training facilities; and provision of teaching and learning materials to empower the youth with skills and competencies for the labor market and capitation, scholarship, and bursary programs to the students.

In the Pre-Primary Education Program, the department delivered access to free, quality, and safe ECD education to pre-primary children in Kisumu County. We focused on Infrastructural development, Furniture supply, school feeding program, provision of teaching and learning materials, teacher recruitment, monitoring and capacity building, collaboration, and sanitation as result areas. In addition, we will focus on strengthening governance structures in ECDE through the formation and sensitization of Boards of Management.

In the financial year 2023/2024, the department will focus on the following key strategic priorities:

Enhanced educational standards by increasing enrollment and retention in Education, accelerating expansion and equipment of modern Vocational training facilities. Provision of teaching and learning materials in order to empower the youth with skills and competencies for the Labour market in addition to capitation, scholarship and bursary programs to the students;

In the Pre-Primary Education Program, the County Government is on course in delivering access to free, quality and safe ECD education to pre-primary children in Kisumu County. We will focus on Infrastructural development, Furniture supply school feeding program, provision of teaching and learning materials, teacher recruitment, monitoring and capacity building, collaboration, and sanitation as result areas. In addition, we will focus on strengthening governance structures in ECDE through formation and sensitization of Boards of Managements;

Promotion of youth empowerment through provision of skills' training that match the labor market requirements. Its focus will be to progressively establish one Centre of Excellence for technical and vocational training in each sub county and; provide modern workshops and classrooms, tools and equipment in the established Vocational training centres; In addition, it will partner with stakeholders to transform Rotary Incubation and Innovation center into a One-stop skills innovation Complex; moreover, the department will also complete formulation of Kisumu Vocational education and training policy to guide in the sub-sector management and resourcing while establishing VET sector information management system;

Coordinate the implementation of policies, programmes, strategies and plans for empowerment, Social Protection and welfare more so for the special interest groups; PWDs, OVCs, widow, elderly persons, street families and marginalized. It will equip and operationalize empowerment centres, rehabilitate and integrate street families, persons affected with drugs & other substances, works with partners to offer Psycho-socio support to the affected families and promotes child protection and participation.

In order for the Education, Technical Training, Innovation and Social Services department to achieve its strategic objectives in the financial year 2023/2024, the County Treasury proposes an allocation of **KES 768,953,019.18** which accounts for **7.33%** of the proposed resource envelope.

2.1.8 LANDS, PHYSICAL PLANNING, HOUSING & 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.

In the first and second quarters of the financial year 2021/2022, the department manage to: Purchase lands for various development projects within the county; Completion of infrastructural development (Roads and Drainages) for Ahero, Katito and Kombewa town; and develop urban physical development plans for Ahero, Maseno, Muhoroni, Kombewa & Katito towns among many other achievements.

In the financial year 2023/2024, the department will focus on the following key strategic priorities: Improving physical land use and development planning; Improving urban governance & management; improving the land management system; and lastly improving access to affordable housing & enhanced urban infrastructure. Similarly, the department plans to initiate a digital land management system and completing the County Valuation roll. Moreover, the integrated plans for new created urban centers of Kombewa, Maseno, Muhoroni, Katito, and Sondu will be given priority. Furthermore, the department plans to initiate planning and streamlining of public land usage with the local markets.

On housing, the Governor's agenda on the provision of at least 10,000 units of affordable housing is still on course. Two partnership agreements have already been and we look forward to

more engagements with the private sector in urban renewal programs in the remaining county's old estates.

The county Treasury proposes an allocation of **KES 306,214,523.00**, representing **2.92%** of the proposed county resource envelope in the financial year 2023/2024 for this department to achieve its key strategic priorities.

2.1.9 PUBLIC SERVICE, COUNTY ADMINISTRATION & PARTICIPATORY DEVELOPMENT, OFFICE OF THE GOVERNOR

The department has a vision of being a leading governance entity in providing excellent leadership and service delivery for the prosperity of Kisumu County. The department's mission is to provide strategic leadership and policy direction and sets the agenda for achieving our people's social, economic, and political development. The overall departmental goal is; to ensure efficient and effective service delivery to residents of Kisumu County through strategic leadership, policy direction, and setting the agenda for achieving socioeconomic and political developmental needs.

During the financial year 2021/22, the department managed to initiate the construction of the official residence of the Deputy Governor, which is currently complete and occupied; Sponsored training at Kenya School of Government (KSG) for 60 county staffs, 30 office administrators, 30 Human Resource officers and induction of 70 Village Administrators on Citizen Scorecards. This imparted necessary supervisory, managerial, and leadership skills for better performance; Purchased computers and ICT equipment to ease information sharing and improved communication and technology. This has led to enhanced intra-departmental and inter-departmental interactions, enhanced service delivery, a Review of the County Public Participation coordination structure, and operationalizing the revised public participation Act 2015. The results included: improved public participation and more citizen involvement in decision-making and policy formulation; Coordination of the PFM public participation in the County Planning and Budgeting process, including CADP 2022/2023, CFSP 2021/2022, CBROP 2021/2022, Budget Estimates 2020/2021 and Finance Bill 2021/2022; These allowed county residents to participate in the planning and budgeting processes that led to the validation of the processes and ownership of the final products. Benchmarking with Counties implementing the progressively integrated coordination of County Public Participation; Public participation for the review of the CIDP II; Formulation of County Policy on Public Participation and inspection of County Legislation to adopt best governance practices, thereby enhancing intergovernmental relationships, networking, and coordinating for better service delivery;

During the financial year under review, the department Instituted Annual County Staff Appraisal and Performance Management tools (Performance Contract), which led to efficiency, improved performance, and better service delivery. The department carried out a Staff audit to weed out ghost workers; Promotion of staff, leading to a highly motivated team who feel recognized and appreciated.

In the financial FY 2021/22, the department had an accumulative allocation of KSh.795, 321,345, with KSh.750, 321,345 (94.34%) for recurrent and a total of KSh.45, 000,000 (5.66%) for development. The department was reorganized by merging the Office of the Governor and the department of Public Service, Administration, and Devolution.

In the financial year 2023/2024, the department will focus on the following key strategic priorities:

- i. Improve access to public service: Development and operationalization of service delivery policies and guidelines; Development of performance management e-system
- ii. Strengthen disaster risk management: Strengthening disaster preparedness and mitigations
- iii. Improved legal representation and administration of legal instruments Appropriate training for all legal staff
- iv. Enhanced access to information: Development of communication policy
- v. Improved security and enforcement of county by-laws; Development of standard operating procedures for enforcement officers
- vi. Improved county protocol: Training and benchmarking of protocol officers; Improvement of image and branding of protocol officers; and Staffing.

The county Treasury proposes an allocation of **KES 598,351,345.00**, representing **5.71%** of the proposed resource envelope in the financial year 2023/2024 for this department to achieve its key strategic priorities.

2.1.10 CITY OF KISUMU

The department received Kshs 731,639,744 during 2021/2022 financial year for both recurrent and development expenditures. This sum was made up of Kshs 324,860,000 (44.40%) for development and Kshs 406,779,744 (55.60%) for recurrent expenditure. Moreover, the absorption of the aforementioned allocation was Ksh. 708 740 088 (68.8%), of which Ksh. 304 701 181 was spent on development (93.79%) and Ksh. 404 038 907 was spent on recurring expenses (99.33%).

In the financial year 2021/2022, the City made tremendous achievements. Below are some of the major achievements:

The City department implemented 10.514 km of non-motorized transport corridors, complete with cycle lanes and pedestrian walkways, service ducts, and drainage work to decrease traffic congestion and enhance safety for road users.

To decongest the CBD and create economic hubs, the City department constructed one satellite bus park at Nyamasaria, completed and awaiting operationalization, against a target of 3, one each at Otonglo and Mamboleo.

Under upgrading infrastructure in 6 informal settlements, the City department improved road and lighting infrastructure through the Kisumu Urban Projects (KUP). Moreover, the City department constructed 15 Km of standard bitumen roads, significantly improving access and connectivity within these informal settlements and enhancing safety. The period also witnessed significant security enhancement through the erection of high-mast floodlights in all these settlements.

Appreciating the need for access and availability to convenient meeting spaces for communities, the City department targeted to rehabilitate and modernize 3 Social Centers. During the period under review, the City department rehabilitated and commissioned Mama Grace Onyango Social Center for use. Construction of Kaloleni Social Centre is ongoing (ground floor completed, first floor in progress).

The City department recognizes the important role of well-planned and constructed markets in the city economy, improved business spaces, and revenue enhancement, among other advantages. In the period under review, the City department developed four markets out of the targeted 10. These include Kibuye, Uhuru Business Complex, Otonglo, and Chichwa markets.

To achieve sustainable management of the city environment, the City department targeted the complete decommissioning of the Kachok dumpsite. This was successful, and an alternative site was commissioned at Kasese. Additionally, the City department continues to implement and review its solid waste management strategy to ensure sustainable management of waste, including extraction of value through waste material recovery and recycling centers (5No.)

Modernization of recreational parks (Jamhuri, Uhuru, Jomo Kenyatta Grounds, Market Park (Oile), Taifa Park, Prof. Nyong'o Botanical Garden. Secured Kicomi Park for improvement

With respect to City beautification and urban aesthetics, the City opted to adopt a roundabout strategy, where the City entered into a partnership with corporate entities to beautify and maintain roundabouts and flower gardens. Sixteen roundabouts have been adopted and are being maintained by corporate partners.

The city department remains committed to providing unequalled quality services matched by superior solutions that result in creating an enabling environment for investment to improve the quality of life of the residents of Kisumu. In the financial year 2023/24, the City department will undertake the following major development programs: Strengthen the HR and Administrative framework to facilitate the achievement of the City mission; Improve Financial and corporate management in the City of Kisumu; Mainstream ICT into county programs and services; Improve the trading environment within the city markets; City Resilience Programme; Improve infrastructural Development and management; Improve urban Development; improve housing Management in the City; Improve environmental and natural resource management within the city; Improve education and social services Management within the City of Kisumu; and also improve safety systems for prevention and control of diseases.

The county Treasury proposes an allocation of **KES 411,505,072.32** which accounts for **3.92%** of the county resource envelope to the City department to achieve its key strategic priorities.

2.1.11 COUNTY ASSEMBLY OF KISUMU

This is the arm of the county Government charged with the constitutional mandate of making county laws, approving county plans and policies, and oversight operations and performance of the Executive.

The county assembly in the financial year 2023/2024 has strategic objectives of; establishing a robust organizational structure, enhancing staff capacity, sustaining a high-quality performance and service delivery; developing and enhancing physical infrastructure to provide a good staff management working environment; strengthening the capacity of MCAs in Law- making process, over sighting and representation; strengthening research and information services for MCAs including appropriate use of ICT; and enhance and sustain utilization and absorption of financial resources. The assembly will prioritize the completion of the modern assembly; conduct civic education by training MCAs on standing orders, Acts and Laws; sensitizing MCAs on the process and procedures of administering bills and motions, bench-Marking with the National Parliament, financial facilitation to wards for visits on projects, budget preparation, availing of quarterly reports; staff training and capacity building through staff appraisal, staff recruitment, identification of relevant training institutions and facilitation of training; and installation of ICT and information communication equipment by purchasing computers and laptops for MCAs and assembly staff, developing of an information resource database, and improving assembly website and modernization of Hansard services.

In order for the County Assembly of Kisumu to achieve its strategic priorities in the financial year 2023/2024, the county Treasury proposes an allocation of **KES 917,524,122.00** which accounts for **8.75%** of the county proposed resource envelope.

2.1.12 COUNTY PUBLIC SERVICE BOARD

During the financial year 2021/2022, the Board, through its Human Resource Audit & Performance Management Committee, confirmed 665 ECDE teachers who were previously on contract to Permanent & Pensionable terms. The Board also reviewed the employment terms of 61 officers from 6 months contracts to 3-year contracts, while another 121 officers had their contracts extended. An additional 127 officers were recruited by the Recruitment, Selection and Capacity Development Committee to various positions in the County. All the above aimed to improve service delivery by encouraging staff retention and having highly motivated and adequate staff.

Similarly, the Board also complied with the requirements of preparing and submitting regular reports on promotion of National Values and Principles espoused under Articles 10 and 232 of the Constitution. This was captured in the Board's Annual Report for the year 2021, which was prepared and submitted to the County Assembly. The Discipline, Ethics & Governance Committee tasked with this compliance also oversaw the Declaration of Income, Assets and Liabilities (DIALs) for the period 2019-2021, right from sensitization on the same, collection and maintaining a register of the DIALS forms, to the preparation of the necessary reports and communication as required by the Ethics & Anti-Corruption Commission. The consultant submitted the Report on the Baseline survey on compliance with values and principles and was

subsequently reviewed by the Board, following which a report was done in readiness for implementation of the survey findings.

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 in financial year 2022/2023 will focus on: Procurement of Human resource recruitment information system which aims at facilitating digitalize and easy recruitment process; Renovation and maintenance of board offices to provide a conducive work environment for board staff.; Procurement of fault and safe to provide safe custody of board document; Operation and maintenance of normal activities of the board; Personnel training and development; and training board members and staff.

The county Treasury proposes an allocation of **KES 88,833,775.00** which accounts for **0.85%** of the FY 2023/2024 proposed county resource envelope to the County Public Service Board to achieve its key strategic priorities.

2.1.13 SPORTS, CULTURE, GENDER AND YOUTH AFFAIRS

During the financial under review a number of achievements were realized, some of which include; A government to Government partnership collaboration in the construction of the Jomo Kenyatta International Stadium, Development of Culture and Arts policy as well as Sports policy.

In Youth and Gender, more focus was laid in life skills development, coaching as well as mentorship, promotion of digital literacy and in partnership trained gender champions and volunteers, coordinated the mainstreaming of Gender and Youth programs in development plans by establishment of county gender and youth mainstreaming committee and renewed focus in Gender- based violence prevention mechanism especially (SGBV) and Promotion of gender and youth empowerment programs.

In the year 2023-2024 Sector Priorities and strategies:

The department will harness, develop and market talents, provision of a one stop music and film studio at Mama Grace Onyango Social Centre , To improve Sports Infrastructural facilities in Kisumu County- Moi sports stadium , Promotion of Culture and Heritage, promote Welfare and ensure Safety of SIGs & Survivors of Gender Based Violence in the County by establishment of safe house, promote Socio-Economic Empowerment, Children Welfare and Protection, Coordination and implementation of Sports, Culture, Gender and Youth related policies, programs and strategies and formulation of gender bill, Arts, Culture and Youth policies and bills. Peer learning, Mentorship and placement and implementation Youth information and empowerment centers. In partnership with sector working groups, develop a strong PPP and coordination framework.

In order for the Sports, Culture and Arts to achieve its strategic priorities in the financial year 2023/2024, the county Treasury proposes an allocation of **KES 146,179,724.39** which accounts for **1.39%** of the county proposed resource envelope.

CHAPTER THREE

3.0 RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK

3.1 OVERVIEW

The County Fiscal Strategy Paper (CFSP) 2023/2024 is prepared against a background of Kenya's economy continued rebound from the pandemic in 2022 with real gross domestic product (GDP) expanding by 6.8 %, 5.2% and 4.7% in the first, second and third quarters respectively, driven by broad-based increases in services and industry. This recovery was dampened by global commodity price shocks, the long regional drought, and uncertainty in the run up to the 2022 general elections.

The macroeconomic indicators showed mixed performance during the 2022. Inflation rose to an average of 8.7% in the third quarter, 7.16% in the second quarter and 5.34% in the first quarter of 2022 mainly due to increased prices of food and non-alcoholic beverages, transport and energy. Similarly, the ongoing drought and the cost-of-living increases affected households throughout the country. The agriculture sector contracted by 1.5% in the first half of 2022 and, with the sector contributing almost one fifth of GDP, its poor performance slowed GDP growth by 0.3%. A recent rapid response phone survey that monitors the impact of shocks on households shows a rise in food insecurity, most severely in rural areas where over half of households reduced their food consumption in June 2022. Most households reported an increase in prices of essential food items and with many being unable to access core staples, such as beans or maize. In response to the inflationary pressures, the Central Bank of Kenya (CBK) has raised the policy rate thrice since May 2022 by a cumulative 175 basis points to reach 8.75%.

Moreover, the growth has several downside risks, including the possibility of higher inflation, tighter monetary policy, financial stress, and rising geopolitical tensions. In 2022, the country experience high currency risk given the Kenyan Shilling ceded ground against major currencies.

3.2 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.2.1 GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS

A synchronized tightening of monetary policy to contain very high inflation, unfavorable financial conditions, and disruptions from the Russian Federation's invasion of Ukraine all contributed to a severe slowdown in global economic activity in 2022. In 2022, the global growth rate was projected at 2.9 percent. The likelihood of increased inflation, further tighter monetary policy, financial stress, and escalating geopolitical tensions are just a few of the adverse risks to the forecast. Moreover, the inflationary pressures around the world are still declined in Q4 2022. The baseline scenario predicts that 8.9% global inflation will occur in 2022. The increase of inflation is being restrained by slower economic expansion, which has led to a decline in B2B demand for manufactured products, the stabilization of commodity prices, and advancements in global supply networks.

Table 1: Overview of the World Economic Outlook Projections at Market Exchange Rate Weights

	2021	Projections		Difference from July 2022 WEO Update ¹		Difference from April 2022 WEO ¹	
		2022	2023	2022	2023	2022	2023
World Output	5.8	2.9	2.1	0.0	-0.3	-0.6	-1.0
Advanced Economies	5.2	2.3	1.1	-0.2	-0.3	-1.0	-1.2
Emerging Market and Developing Economies	6.7	3.6	3.6	0.1	-0.1	-0.2	-0.6
Emerging and Developing Asia	7.4	4.0	4.7	-0.1	-0.1	-1.0	-0.7
Emerging and Developing Europe	6.5	0.9	0.2	1.4	0.1	3.0	-0.6
Latin America and the Caribbean	6.7	3.3	1.6	0.5	-0.3	0.9	-0.8
Middle East and Central Asia	4.4	4.7	3.3	0.0	0.1	0.1	-0.1
Sub-Saharan Africa	4.6	3.5	3.6	-0.3	-0.3	-0.3	-0.3
<i>Memorandum</i>							
European Union	5.3	3.1	0.6	0.4	-0.9	0.3	-1.8
Middle East and North Africa	4.2	4.7	3.2	-0.1	0.1	-0.1	0.0
Emerging Market and Middle-Income Economies	6.9	3.5	3.5	0.1	-0.2	-0.2	-0.7
Low-Income Developing Countries	4.1	4.7	4.8	-0.2	-0.3	0.1	-0.5

Source: IMF staff estimates.

Note: The aggregate growth rates are calculated as a weighted average, in which a moving average of nominal GDP in US dollars for the preceding three years is used as the weight. WEO = World Economic Outlook. ¹Difference based on rounded figures for the current, July 2022 WEO Update, and April 2022 WEO forecasts.

3.2.2 DOMESTIC ECONOMIC DEVELOPMENTS

The Real gross domestic product (GDP), driven by broad-based growth in services and industry, increased by 6% year-over-year in the first half of 2022 as Kenya's economy continued to recover from the pandemic. However, this recovery was impeded by fluctuations in global commodity prices, a prolonged drought, and uncertainty over the general elections in 2022. The country's real GDP expanded by 4.7 per cent during the third quarter. Moreover, during the country experience an average 12-Month Inflation of 7.64% which was above the monetary policy target range of 5+/-2.5%.

3.2.3 QUARTERLY GDP GROWTH OF 2022

The real gross domestic product (GDP) expanding by 6.8 %, 5.2% and 4.7% in the first, second and third quarters respectively, driven by broad-based increases in services and industry.

The economy recorded a better performance in the first quarter of 2022 compared to the corresponding quarter of 2021. During this period, the economy expanded by 6.8 Per cent compared to 2.7 per cent growth in the first quarter of 2021. The performance was supported by rebounds in most economic activities that had contracted significantly in the first quarter of 2021 due to measures instituted to curb the spread of COVID-19. Some of the sectors that recorded significant recovery included Transportation and Storage (8.1%), Accommodation and Food Serving activities (56.2%), Professional, Administrative and Support Services (14.9%) and Other Service activities (11.1%).

The economy expanded by 5.2 per cent during the second quarter of 2022 compared to 11.0 per cent growth in the corresponding quarter of 2021. The growth was largely supported by

expansion in activities of: Financial and Insurance; Transportation and Storage; Wholesale and Retail Trade as well as the Real Estate sector. During the quarter, the Mining and Quarrying; Accommodation and Food Service; and Professional, Administration and Support services recorded the highest growths and also contributed significantly to the economic growth. However, the growth of the economy was somehow dampened by a contraction of 2.1 per cent in the Agriculture, Forestry and Fishing activities mainly due to unfavorable weather conditions

The country's real GDP expanded by 4.7 per cent during the third quarter compared to a 9.3 per cent growth in the same quarter of 2021. Most sectors posted decelerated growths owing to the significantly high growth rates recorded in the third quarter of 2021 that signified recovery from the impact of the COVID-19 pandemic. Notable sectors that supported growth during the period under review include: Accommodation and Food Service activities (22.9%), Wholesale and retail trade (9.1%), Professional, Administrative and Support services (8.7%), Education (7.1%), other services (6.9%) and Financial and Insurance (5.3%) activities

Table 2: Gross Domestic Product by Activity, Growth Rates

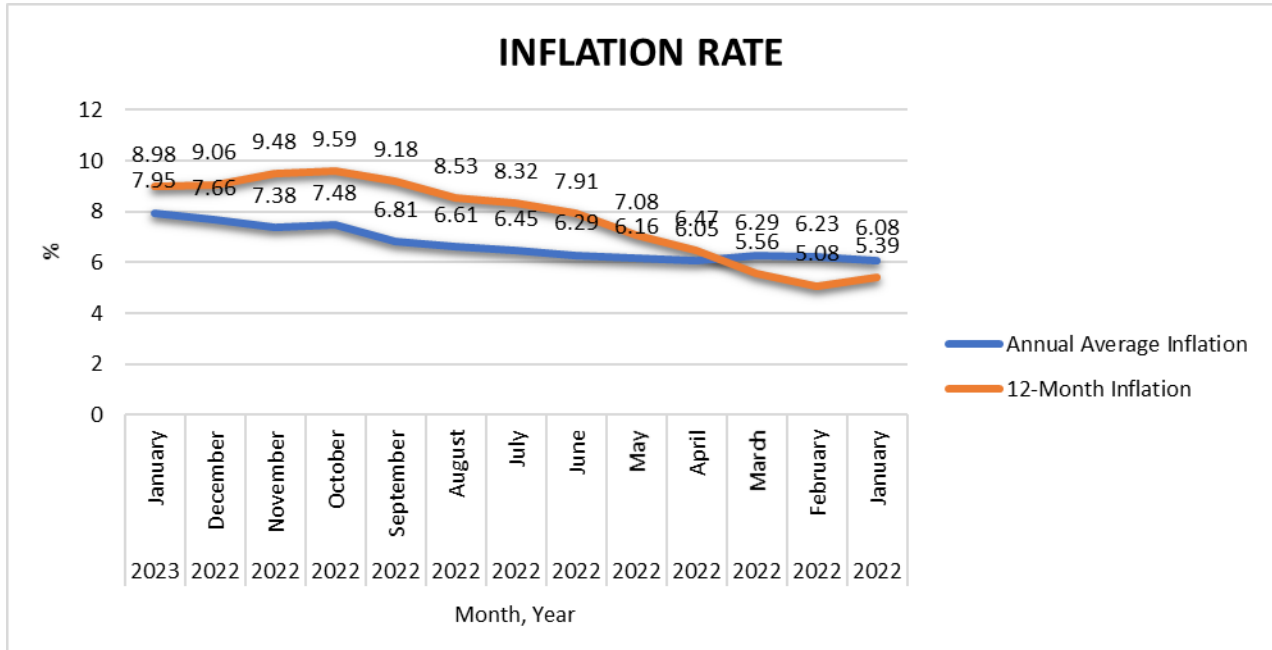
Year	Quarter	Agriculture	Mining and quarrying	Manufacturing	Electricity and water supply	Construction	Wholesale and retail trade	Accommodation & restaurant	Transport and storage	Information and communication
2017		-1.3	3.2	0.7	3.0	6.3	4.3	9.4	3.5	8.1
2018		5.7	-4.7	3.6	3.6	6.1	5.9	15.6	6.0	7.9
2019		2.7	4.3	2.6	1.7	7.2	5.3	14.3	6.3	7.0
2020		4.6	5.5	-0.4	0.6	10.1	-0.5	-47.7	-7.8	6.3
2021		-0.2	18.1	6.9	5.0	6.6	7.9	52.5	7.2	8.8
2017	1	0.0	4.0	3.5	2.3	9.6	3.7	4.6	7.6	8.7
	2	-2.1	4.7	0.2	4.3	4.9	4.6	6.3	5.5	8.3
	3	-0.6	1.4	-1.4	3.1	5.7	5.3	9.0	-1.5	7.4
	4	-2.5	2.8	0.5	2.5	5.1	3.5	17.9	3.2	8.0
2018	1	4.1	4.4	5.2	4.1	6.6	5.1	16.8	4.3	7.2
	2	5.3	-4.6	2.9	3.0	7.0	6.4	15.9	6.7	8.0
	3	6.3	-11.4	2.7	4.1	7.6	5.8	10.9	5.3	7.7
	4	7.6	-7.2	3.5	3.2	3.3	6.4	18.5	7.7	8.7
2019	1	4.8	-1.3	2.7	3.0	6.1	4.5	15.5	6.8	8.8
	2	3.3	7.0	4.4	1.5	7.3	6.3	11.6	8.8	6.8
	3	0.9	5.5	2.7	1.5	7.9	5.3	11.9	4.6	6.5
	4	1.3	6.4	0.9	1.0	7.4	5.0	17.7	5.2	5.9
2020	1	4.5	6.5	1.4	1.5	8.9	5.5	-14.1	2.1	7.8
	2	8.0	3.9	-5.4	-4.5	6.0	-3.8	-57.2	-16.8	4.9
	3	-4.3	5.6	-2.2	0.8	10.2	-5.1	-62.0	-10.2	4.9
	4	9.8	6.0	4.3	4.6	15.2	1.4	-57.7	-6.2	7.5
2021	1	0.4	10.7	2.1	3.6	6.8	7.5	-33.0	-7.9	10.1
	2	-0.5	10.9	11.3	7.2	6.8	9.2	90.1	18.6	17.1
	3	0.6	16.4	10.2	6.4	6.7	6.4	127.5	14.2	4.1
	4	-1.2	34.5	4.9	2.8	6.0	8.4	118.6	6.5	5.3
2022	1	-0.7	23.8	3.7	1.9	6.4	8.7	56.2	7.8	6.1
	2	-1.4	22.6	3.6	5.0	5.8	8.2	22.0	7.1	6.6
	3	-0.6	-2.2	2.4	4.7	4.3	9.1	22.9	4.8	4.6

Year	Quarter	Financial & insurance	Public administration	Professional admin and	Real estate	Education	Health	Other services	FSIM	All indust. of basic prices	Taxes on product	GDP at market prices	GDP, seasonally adjusted
2017		4.1	3.9	3.0	6.7	8.7	6.4	4.4	-6.0	3.7	5.7	3.8	
2018		2.7	7.9	4.9	6.5	6.8	5.4	3.3	3.7	5.6	5.9	5.6	
2019		8.1	8.4	6.8	6.7	5.7	5.5	4.3	9.5	5.2	3.9	5.1	
2020		5.9	7.0	-13.7	4.1	-9.3	5.7	-14.6	-1.8	0.5	-8.1	-0.3	
2021		12.5	5.6	5.7	6.7	21.4	6.0	12.6	5.5	7.1	11.9	7.5	
2017	1	3.2	2.5	1.1	7.9	8.1	7.4	6.4	-9.7	4.7	12.5	5.4	0.7
	2	5.7	3.0	1.9	6.8	8.5	6.9	4.3	-7.9	3.5	0.4	3.3	-0.1
	3	4.0	5.6	2.9	6.2	8.8	7.1	3.9	-4.8	3.1	4.6	3.2	1.7
	4	3.5	4.5	5.9	6.0	9.4	4.6	3.3	-1.7	3.3	5.8	3.5	1.2
2018	1	2.7	5.8	7.6	6.2	8.3	5.4	1.5	5.5	5.1	5.8	5.2	2.2
	2	0.9	7.3	7.0	6.4	6.7	6.6	2.5	2.1	5.5	12.3	6.1	0.9
	3	0.7	9.3	4.5	6.6	6.3	5.0	3.3	2.3	5.4	4.5	5.3	1.3
	4	6.3	9.1	8.7	6.8	5.9	4.9	5.7	5.1	6.5	1.7	6.0	1.5
2019	1	7.3	7.4	6.7	7.3	3.6	5.2	6.5	10.2	5.5	-1.6	4.8	1.0
	2	9.5	9.1	8.1	7.2	3.3	5.3	6.8	7.6	6.1	5.2	6.0	2.0
	3	10.7	8.5	4.9	6.7	6.7	5.9	4.5	7.7	5.0	4.4	5.0	0.8
	4	5.2	8.4	7.6	5.7	9.1	5.5	-0.5	12.3	4.4	7.3	4.6	0.4
2020	1	6.2	4.7	2.7	4.1	4.8	7.1	-3.6	-3.8	4.3	5.5	4.4	0.9
	2	3.2	4.5	-25.5	3.6	-21.1	9.0	-23.9	-0.2	-2.5	-20.5	-4.1	-6.2
	3	3.3	8.3	-18.4	3.8	-16.1	4.4	-13.9	-2.2	-3.0	-8.5	-3.5	2.1
	4	10.6	10.2	-12.5	4.8	-4.8	2.9	-17.2	-1.1	3.3	-7.4	2.3	5.5
2021	1	11.8	6.8	-13.0	6.7	11.5	5.8	-8.4	4.9	2.7	1.8	2.7	1.4
	2	17.3	7.6	18.3	7.4	31.6	6.2	28.8	2.8	10.4	18.5	11.0	1.7
	3	11.8	4.8	13.4	7.1	28.3	4.1	17.7	5.1	9.1	12.5	9.3	1.1
	4	9.9	3.3	8.1	5.7	18.0	7.8	16.8	8.7	6.7	15.7	7.4	2.6
2022	1	14.7	6.4	14.9	6.1	6.2	5.0	10.8	6.5	6.3	11.4	6.7	0.9
	2	11.6	4.2	11.2	5.5	6.7	4.8	6.7	4.9	5.2	4.6	5.2	0.6
	3	5.3	3.9	8.7	5.1	7.1	4.5	6.9	5.2	4.4	7.6	4.7	0.9

3.2.4 INFLATION RATE

In 2022, the country experienced high inflation rates that was largely driven by prices of food & non-alcoholic beverages; transportation and housing & utilities. The inflation rate was 7.64% and 6.62% for Annual Average Inflation and 12-Month Inflation respectively.

Figure 1: Inflation rates trend

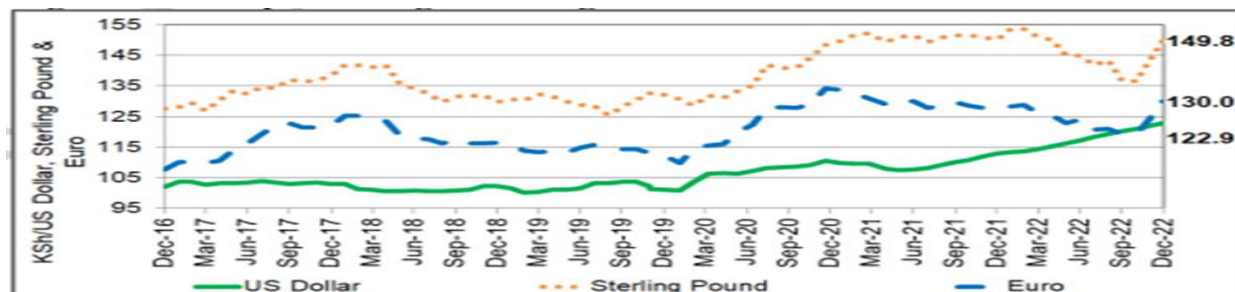


Source: Central Bank of Kenya

3.2.5 KENYA SHILLING EXCHANGE RATE

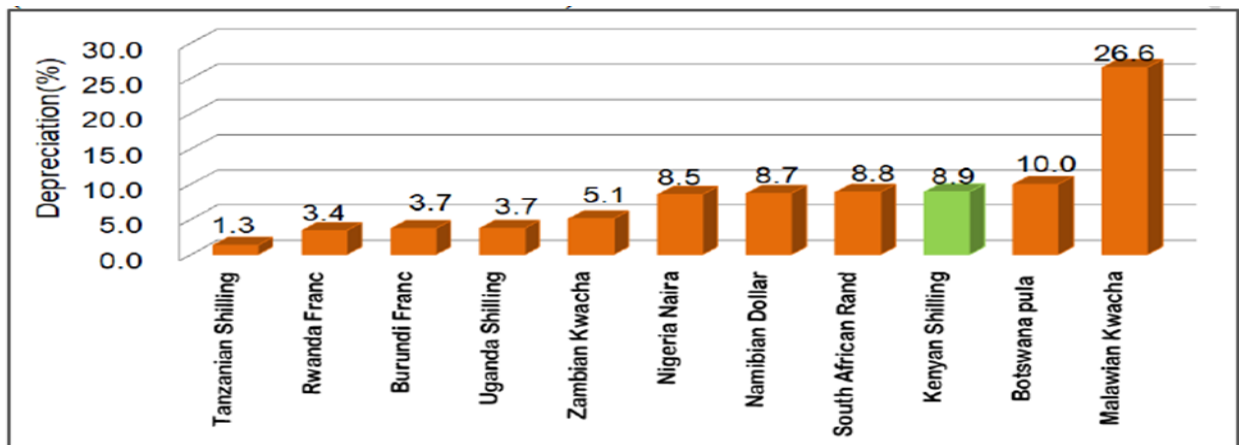
Despite the tight global financial conditions brought on by the FED monetary policies especially the rise in FED rate and geopolitics, particularly the Russian-Ukrainian war, the currency market has mostly remained stable. Due to the strong dollar, the value of all world currencies has fallen, with the Kenyan shilling trading at Ksh 122.9 in December 2022 as opposed to Ksh 112.9 in December 2021 as shown in the figure below. The Kenyan shilling likewise lost value when compared to the Euro, declining from 127.6 to 130.0 over the same time period. The Kenyan Shilling rose in value in comparison to the British Pound from Ksh 150.2 in December 2021 to Ksh 149.8 in December 2022.

Figure 2: Exchange Rate



The Kenyan Shilling exchange rate has however remained strong in contrast to other currencies in Sub-Saharan Africa. In comparison to the Namibian Dollar, Botswana Pula, South African Rand, and Malawi Kwacha, the Kenya Shilling depreciated at a slower rate. Increased remittances, ample foreign exchange reserves, and higher export earnings all contributed to the Kenya Shilling's stability.

Figure 3: Performance of Selected Currencies against the US Dollar (December 2021 to December 2022).

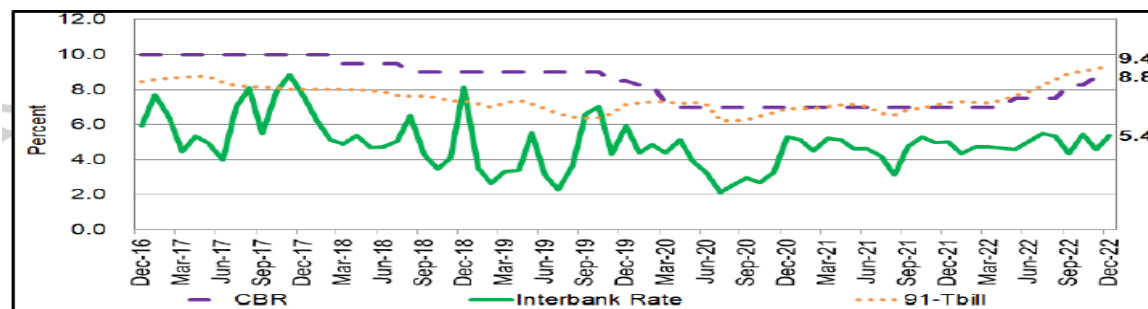


3.2.6 INTEREST RATES

Due to the ongoing inflationary pressures, the rising global concerns, and their potential effects on the domestic economy, the monetary policy stance is still restrictive to anchor inflation expectations. In this regard, the Central Bank Rate increased in November 2022 from 8.25 percent to 8.75 percent. The Treasury bill rates increased in December 2022 as a result of the lack of liquidity, but the interbank rate stayed consistent at 5.4 percent, down from 5.0 percent in December 2021. In comparison to December 2021, when it was 7.3 percent, the rate for 91-day Treasury Bills in December 2022 was 9.4 percent.

The existing monetary policy stance at the time helped to keep commercial banks' lending rates largely steady in October 2022. While the average deposit rate grew to 7.0 percent from 6.4 percent over the same time period, the average loan rate increased from 12.1 percent in October 2021 to 12.4 percent in October 2022. As a result, from 5.7 percent in October 2021 to 5.4 percent in October 2022, the average interest rate spread shrank.

Figure 4: Short Term Interest Rates, Percent



3.2.7 MONEY CIRCULATION AND CREDIT

In comparison to the year prior to December 2021, the broad money supply, or M3, increased by 7.2 percent in the year to December 2022. The increase in domestic credit, namely net lending to the private sector, was the key driver of the growth in December 2022. However, a fall in the Net Foreign Assets (NFA) restrained this rise.

Figure 5: Money Circulations and Credit (12 Months to December 2022 Ksh billion)

				Change		Percent Change	
	2020 December	2021 December	2022 December	2020-2021 December	2021-2022 December	2020-2021 December	2021-2022 December
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,720.1	1,848.1	1,971.1	128.0	123.0	7.4	6.7
1.1 currency outside banks (M0)	233.7	253.5	260.8	19.8	7.3	8.5	2.9
1.2 Demand deposits	1,385.8	1,498.3	1,605.0	112.5	106.8	8.1	7.1
1.3 Other deposits at CBK	100.7	96.3	105.3	(4.3)	9.0	(4.3)	9.3
2. Money supply, M2 (1+2.1)	3,250.2	3,431.6	3,617.5	181.3	185.9	5.6	5.4
2.1 Time and savings deposits	1,530.1	1,583.5	1,646.4	53.4	62.9	3.5	4.0
Money supply, M3 (2+3.1)	3,990.9	4,235.2	4,538.5	244.3	303.3	6.1	7.2
3.1 Foreign currency deposits	740.7	803.7	921.1	63.0	117.4	8.5	14.6
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	746.9	590.1	283.9	(156.9)	(306.1)	(21.0)	(51.9)
1.1 Central Bank	738.5	700.6	537.8	(37.9)	(162.7)	(5.1)	(23.2)
1.2 Banking Institutions	8.5	(110.5)	(253.9)	(118.9)	(143.4)	(1,406.7)	(129.8)
2. Net domestic assets (2.1+2.2)	3,244.0	3,645.1	4,254.6	401.2	609.4	12.4	16.7
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	4,245.8	4,876.9	5,439.7	631.1	562.8	14.9	11.5
2.1.1 Government (net)	1,343.3	1,723.6	1,924.3	380.3	200.7	28.3	11.6
2.1.2 Other public sector	91.2	100.1	81.9	8.9	(18.2)	9.8	(18.2)
2.1.3 Private sector	2,811.3	3,053.2	3,433.5	241.9	380.4	8.6	12.5
2.2 Other assets net	(1,001.8)	(1,231.8)	(1,185.2)	(229.9)	46.6	(23.0)	3.8

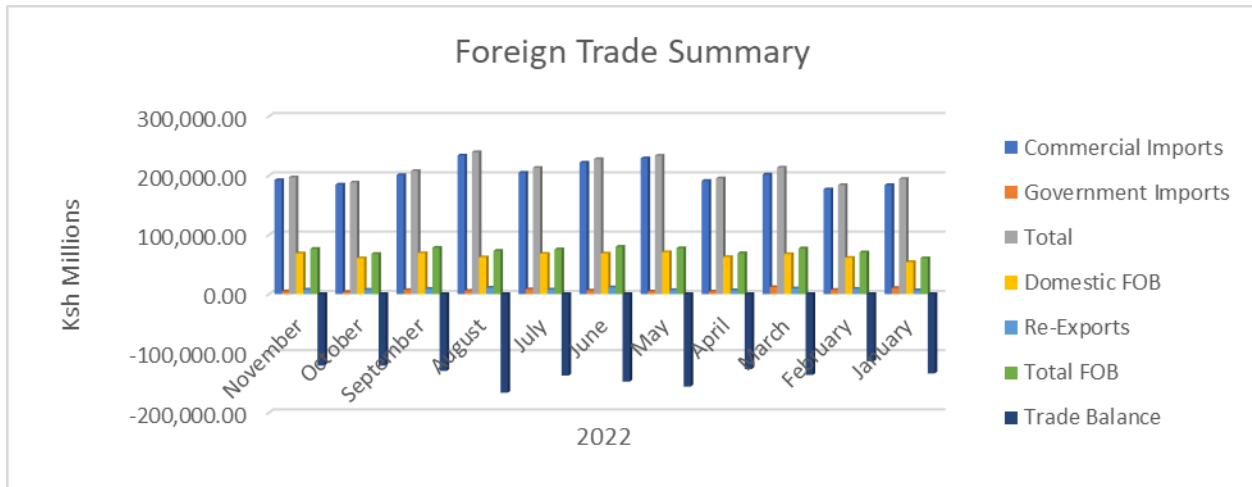
In comparison to the year prior, the banking system's Net Foreign Assets (NFA) shrank by 21.0 percent in the year prior to December 2021, but by 51.9 percent in the year prior to December 2022. The decline in NFA was caused in part by an increase in commercial banks' borrowing from overseas sources and a decrease in reserves at the Central Bank as a result of planned debt service.

In the year ending in December 2022, Net Domestic Assets (NDA) increased by 16.7 percent, which is an improvement above the rise of 12.4 percent at the same time in 2021. The steady rise in credit to the private sector as business operations strengthened was the key driver of NDA growth. In comparison to a growth of 28.3 percent in the year to December 2021, the growth of domestic credit given by the banking system to the Government slowed to 11.6 percent in the year to December 2022. During that time, lending to other public sector organizations decreased as a result of repayments by county governments and parastatals.

3.2.8 BALANCE OF PAYMENTS

During the year, the Kenya trade balance Ksh (135,334.74) million having imported goods worth good worth Kshs 208,467.15 million with Kshs 201,864.62 million and Kshs 6,602.53 million commercial imports and government imports respectively.

Figure 6: Foreign Trade Summary Statistics

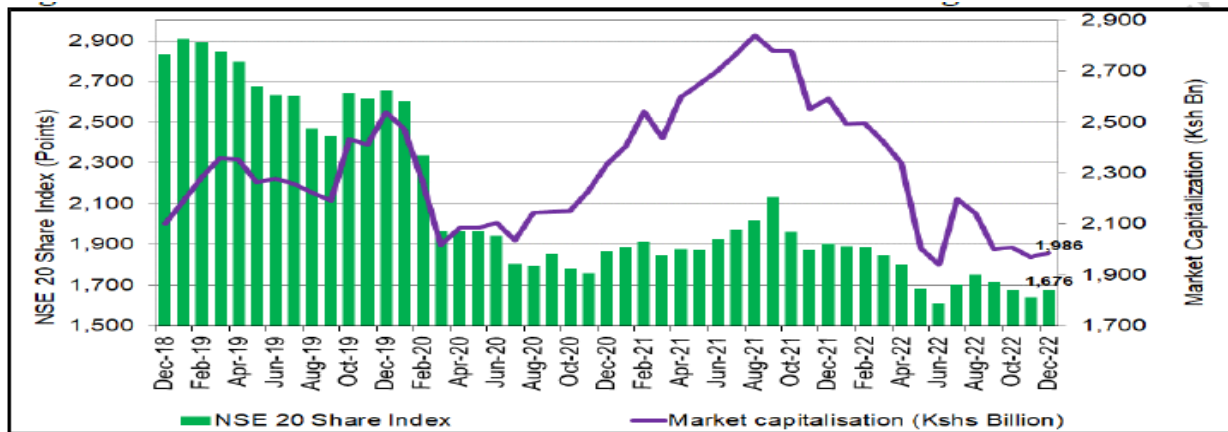


3.2.9 CAPITAL MARKETS DEVELOPMENT

3.2.9.1 NAIROBI SECURITIES EXCHANGE

Capital market activity decreased in December 2022 compared to December 2021 as a result of investor exodus as advanced economies tightened monetary policy in response to recession fears. The NSE 20 Share Index decreased from 1,903 points in December 2021 to 1,676 points in December 2022, while the market capitalization decreased during that time from Ksh 2,593 billion to Ksh 1,986 billion.

Figure 7: Performance of the Nairobi Securities Exchange



3.3 COUNTY FISCAL PERFORMANCE

3.3.1 OWN SOURCE REVENUE PERFORMANCE

The table presents data on County Own Source Revenue Performance for the first quarter of the FY 2022/2023. It compares the budget estimate of revenue items against the actual collection and calculates the difference between the two. The funding level is represented as a percentage of the actual collection against the budget estimate. The revenue items are divided into two main categories: main revenue streams and revenue from other sources.

During the year 2021/2022 the County Revenue generated from own source collection was Kshs. 1,199,145,031 against a target of Kshs.1, 984,000,003. This resulted in a negative variance of Kshs. 784,854,972 (40%) of the annual local revenue target.

The Department of Health Services contributed the highest revenue collection overall amounting to Ksh. 456,324,315. Single business permit generated the highest revenue collection from main revenue stream with a total of Ksh. 174,027,421. It is good to note that Sign Board promotion, Sundry and Physical planning surpassed their annual targets.

Table 3: Own Source Revenue Performance

Revenue Items	A	B	B-A	Funding level
	Budget Estimate	Actual Collection	Difference	%
	(Kshs.)	(Kshs.)	(Kshs.)	
<i>Main Revenue Streams</i>				
Market Fees	98,172,790	59,712,910	(38,459,880)	61
Parking Fees	103,550,761	75,194,178	(28,356,583)	73
Bus Park	134,663,500	84,842,514	(49,820,986)	63
Boda Boda self-regulation	9,149,000	0	(9,149,000)	0
Rents	42,613,319	18,176,177	(24,437,142)	43
Land Rates	623,603,994	97,322,161	(526,281,833)	16
Single Business Permits	218,226,639	174,027,421	(44,199,218)	80
Building Plans	30,000,000	3,861,110	(26,138,890)	13
Liquor Licenses	0	18,500,004	18,500,004	0
Sign Board promotion etc.	92,672,500	123,654,332	30,981,832	133
Sundry	32,900	8,833,932	8,801,032	26851
Cess - Others	11,898,100	8,421,827	(3,476,273)	71
Subtotal for main revenue streams	1,364,583,503	672,546,566	(692,036,937)	49
Health	568,533,100	456,324,315	(112,208,785)	80
Agriculture, Mechanization and training	16,050,000	9,418,319	(6,631,681)	59
Commerce, Trade and Tourism	1,872,500	1,376,270	(496,230)	73
Industrialization / Cooperatives	74,900	0	(74,900)	0
Educ. Sports, Social services etc.	8,560,000	162,204	(8,397,796)	2
Physical planning	3,210,000	22,980,080	19,770,080	716
Water	10,700,000	0	(10,700,000)	0
Roads, Public Works Equipment Hire & Supervision	1,000,000	906,200	(93,800)	91

Energy and Mining	2,461,000	0	(2,461,000)	0
Green Energy and Mining	4,815,000	0	(4,815,000)	0
Environment (Pollution Administrative & Restoration charges)	2,140,000	1,323,590	(816,410)	62
Revenue From Payroll	0	34,102,687	34,102,687	0
Governance and Administration	0	4,800	4,800	0
Total Revenue from other sources	619,416,500	526,598,465	(92,818,035)	85
Gross Locally Collected Revenue	1,984,000,003	1,199,145,031	(784,854,972)	60

3.3.2 EXPENDITURE PERFORMANCE

Table below shows the county's total expenditure for FY 2021/2022 of Kshs. 9,076,537,459 against a target of Kshs 12,177,852,410 representing an absorption rate of 76%. It can be observed that the average performance of all the departments is 74.5%. Similarly, departments like Health and Sanitation have performed well with 92.9% actual expenditure compared to the revised budget, while others like Lands, Housing and Physical Planning have performed poorly with only 15.9% actual expenditure compared to the revised budget.

Table 4: Expenditure Performance

Department	Revised budget (Kshs)	Actual B Expenditure (Kshs.)	Performance
	A		B/A (%)
Governance and Administration	290,749,502	206,974,640	71.2
Tourism, Culture Arts and Sports	220,026,963	109,749,870	49.9
Health and Sanitation	3,844,732,621	3,571,143,299	92.9
Roads, Transport and Public Works	712,641,887	314,424,119	44.1
Lands, Housing and Physical Planning	420,612,176	66,728,879	15.9
Agriculture, Livestock and Fisheries	785,079,095	389,323,967	49.6
Education, Ict and Human Resource Development	793,894,850	596,390,840	75.1
Water Services	183,893,528	104,605,930	56.9
Public Service Board	75,031,463	63,792,478	85.0
Finance and Economic Planning	2,351,121,718	1,783,576,694	75.9
Public Administration	423,456,127	300,386,330	70.9
Energy and Industrialization	415,655,280	223,984,911	53.9
City of Kisumu	731,639,744	493,444,511	67.4
County Assembly	929,317,456	852,010,991	91.7
TOTAL	12,177,852,410	9,076,537,459	74.5

Source: County Treasury

3.3.3 INFLATION

The table below displays data related to the Gross County Product (GCP) of Kisumu County over the period 2013 to 2017. The table shows an increase in the nominal GCP of Kisumu County from 135,418 in 2013 to 194,489 in 2017. The real GCP of the county also increased from 100,347 in 2013 to 115,128 in 2017, although at a slower rate due to inflation. The GCP deflator increased from 135% in 2013 to 169% in 2017, indicating that prices rose over the period. Finally, the inflation rate ranged from 8% to 11% over the period.

Table 5: 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	100,347	135%	
2014	152,655	105,662	144%	11%
2015	165,503	108,266	153%	9%
2016	181,161	112,865	161%	8%
2017	194,489	115,128	169%	8%

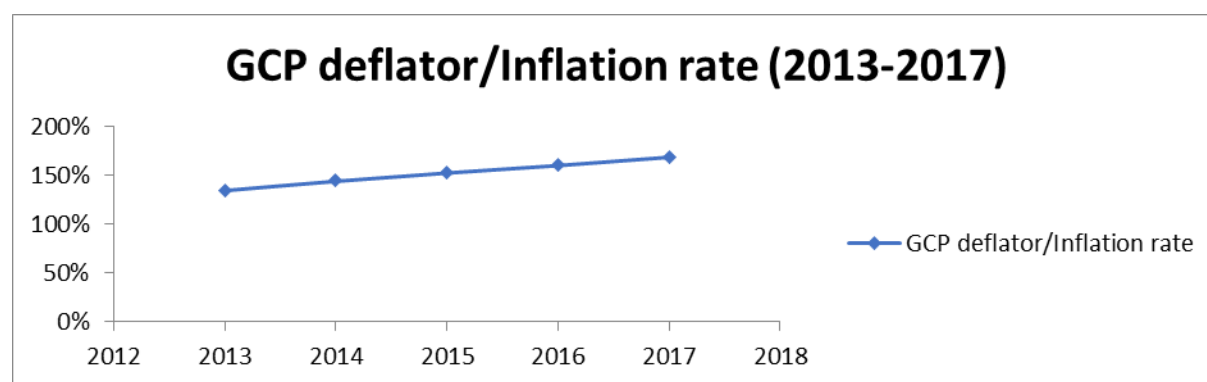


Figure 8: Kisumu County GCP Deflator

Source: Kenya National Bureau of Statistics.

3.3.4 KISUMU COUNTY ECONOMIC GROWTH

This table shows the Kisumu County Gross County Product (GCP) and the corresponding economic growth rate for the years 2013 to 2017. In 2013, the GCP value is listed at 135,418, with no growth rate provided. The subsequent years show an increase in both GCP and economic growth, with 2014 reflecting a 12.73% growth rate and GCP of 152,655. The trend continues in 2015, with an 8.42% growth rate and GCP of 165,503, and in 2016, with a 9.46% growth rate and GCP of 181,161. In 2017, the growth rate drops to 7.36%, but the GCP reaches its highest value yet at 194,489. Overall, this table demonstrates a pattern of increasing economic growth

and GCP for Kisumu County over the years represented. A stable macroeconomic environment, high investor confidence, and a robust services sector have all enhanced the economy's success.

Table 6: 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 9: Kisumu County Economic Growth Trend

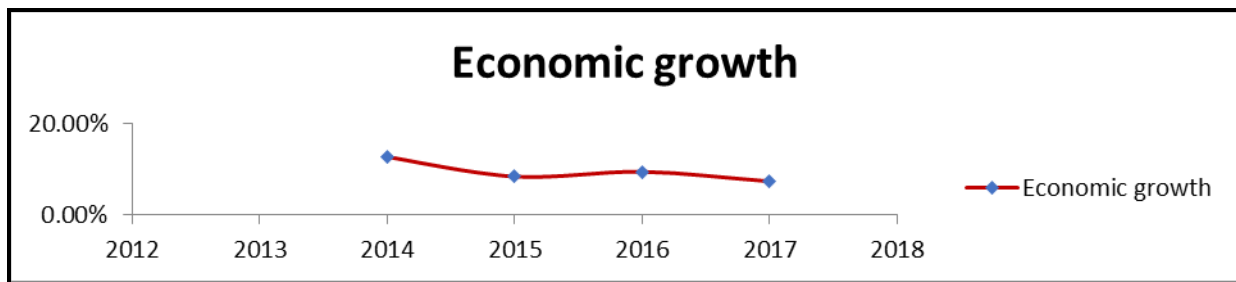
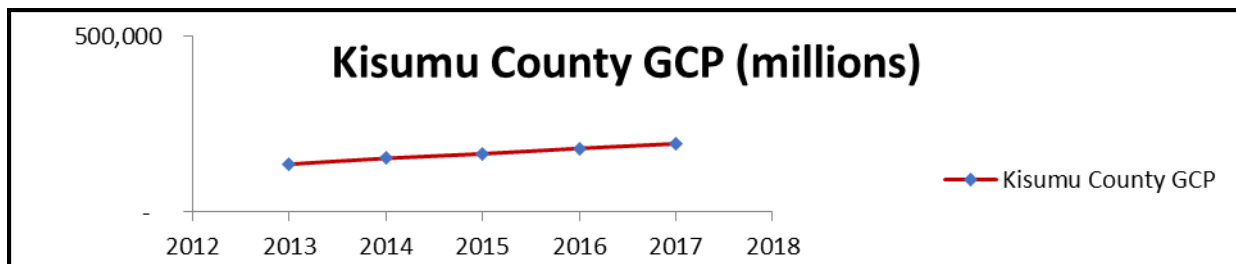
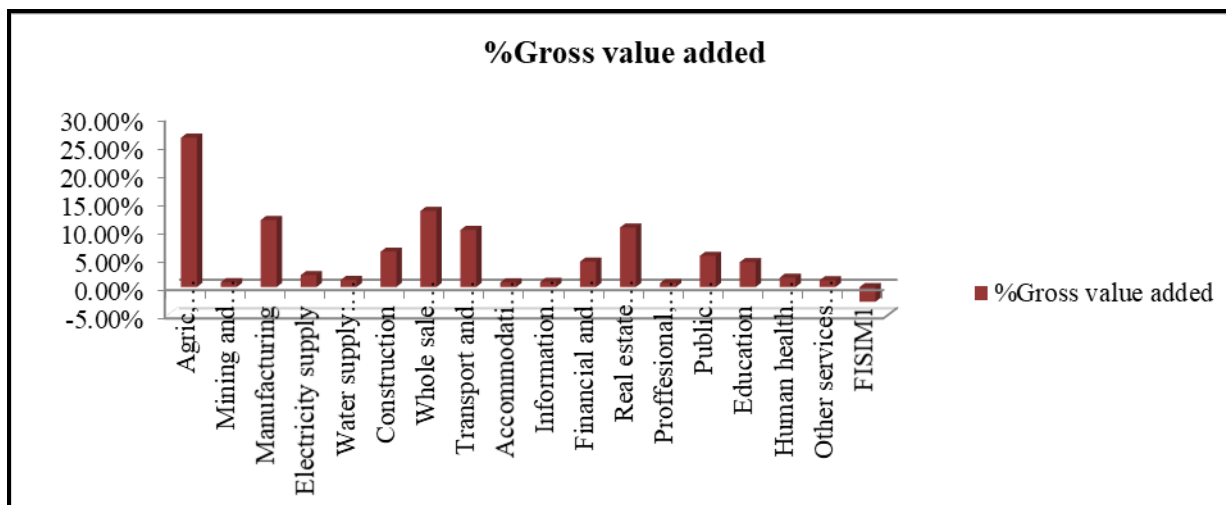


Figure 10: Kisumu County GCP Trend



The county's gross product has been on an upward trend due to increased economic activities in the county. With the renovation of Kisumu port, the operationalization of the unused meter gauge railway, and the expansion of business spaces, among other significant developments undertaken by the county government, the county is likely to experience a higher growth in its GCP.

Figure 11: GCP Contribution per Sector



Agriculture, forestry, and fishing make up the highest percentage of the Kisumu GCP contributing about 26%, followed by wholesale and retail, manufacturing, real estate, and transport and storage at 13.4%, 11.8%, 10.5%, and 10.1%, respectively. The County's plan to revitalize agriculture through wetlands rehabilitation and expansion of irrigation system which intend to boost agricultural output. The GCP is anticipated to rise as a result.

3.3.5 PER CAPITA GROSS COUNTY PRODUCT

Table 7: Per Capita Gross County Product

	GCP-2017	Population 2019	Per Capita GCP,2017
2009 Prices (Real Prices)	115,128,000,000	1,155,574	99,628
Current Prices (2017-Nominal Prices)	194,489,000,000	1,155,574	168,305

County's per capita gross product measures the county's economic production distributed equally among its population. It serves as a proximate indicator of the county's standard of living. Using 2009 real and current prices, the nominal GCP per capita was Ksh. 168,305 while the real GCP in 20121 was Ksh. 99,628. Living standards in Kisumu County were higher than the country's real GDP per person in 2017, which was Ksh. 96, 779.

CHAPTER FOUR

4.0 FISCAL POLICY AND BUDGET FRAMEWORK

4.1 INTRODUCTION

While consolidating earlier gains, the 2023/2024 Medium-Term Fiscal Policy will primarily focus on priority programs aimed at economic recovery and achieving the socio-economic transformation agenda envisaged under the third generation County integrated development plan 2023-2027, annual development plan 2023/2024 and focusing on boosting private sector activity; Policy, legislation, and institutional reforms; Strengthening County government's preparedness and response to pandemic and disasters; Enhancing ICT capacity for business continuity; and Human capital development. The policy thrust for the FY 2023-2024 has been highly influenced by the Kisumu County Governor Manifesto 2022-2027 and the Framework provided for in the Budget Policy Statement on Economic recovery Agenda to promote inclusive growth and thrive to achieve the overall long-term objective of 'increased household income for sustainable livelihoods' while at the same time enable residents of the County recover and build resilience from lingering effects of the COVID -19 and climate change related supply chain disruptions. This includes a determination by the County Government to settle debts owed to suppliers in pending bills amounting to approximately KES **3,520,716,348.94** billion.

The priorities notwithstanding, the County Government will strive to ensure that public spending leads to high-quality outcomes within a sustainable and affordable framework. For the first time in five years, the inflation rate in Kisumu County is above the Government target range, mainly driven by supply-side constraints occasioned by external shocks and climate-related food and energy prices. Aside from these challenges, the Kisumu economy continues to be confronted by various constraints such as recurrent drought affecting agricultural productivity; declining manufacturing productivity; skewed access to finance for business and development; rigidities in the business regulatory framework; governance challenges; and fiscal risks including pension's liabilities, stalled projects, payment arrears; and high debt service that has hindered the economy from achieving its full potential.

The need to address these constraints and bolster resilience forms the basis of the government's agenda. The agenda is geared towards an economic turnaround and inclusive growth and aims to increase investments in at least five sectors envisaged to have an immense impact and linkages to the economy and household welfare. These include Agriculture; Micro, Small, and medium enterprises (MSME); Housing and Settlement; Healthcare; and Creative Industry. Particular focus will be placed on employment, and more equitable distribution of resources, while also expanding the own source tax revenue base.

The implementation of these interventions is expected to stimulate economic recovery and restore the County on upward development trajectory. In this regard, spending will be directed towards the County's most critical sectors to achieve quality outputs and outcomes with a current or lower level of resources, particularly implementing priority projects and programs around sectors development issues with higher economic and social impacts, payment of pending bills, and gratuity. Furthermore, the County Government will dedicate resources to building an ultra-modern office complex for improved efficiency in service delivery to the people. The County Government has projected to raise Kshs.10.4B comprising both equitable share and own source revenue in the FY 2023/2024 to finance its programs. The funds will be allocated as categorized below:

- a) Personnel Emoluments will be **48%** (This includes gratuity and pension)
- b) Development Expenditure will be at **30%**
- c) Operation and Maintenance Expenditure will be **22%**

In; addition, the County Government will;

- Increase engagement with the donor community to fund some programmes and also fast track development of PPP implementation guidelines.
- Engage in prudent fiscal risk management. The government will continuously make reference to the national macro-economic forecasts and projections to gauge its implications to the budget
- Strictly adhere to the CRA, SRC and Controller of budget guidelines

4.2 FISCAL STRUCTURAL REFORMS

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

- Enhancing revenue mobilization; by finalizing revenue automation project through system integration, networking and acquisition of relevant equipment e.g., POS machines and computers. Finally enhancing enforcement mechanisms, identification and mapping of new revenue streams and improvement of service delivery.
- The County Government intends to collect land rates arears and implementation of the new valuation roll once the court process is cleared.
- Expenditure rationalization by finalizing and subsequent implementation of staff rationalization report.
- Expenditure efficiency and effective implementation of budget programs; Continuous implementation of e-procurement, embrace internet banking and preparation of budget through IFMIS. Training, roll out and use of financial operations process manual.
- Implementation of expenditure containment and rationalization to ensure efficiency in resource allocation and expenditure.
- Realizing Value-for-Money in County development programmes by Strengthening Monitoring and Evaluation (M&E) and Performance Management.
- Improving the quality of government strategy and policy by enlisting high-level advisory services. i.e., Timely Cabinet resolutions and other established Committees on Human Resource advisory.
- Settling pending bills and arrears in staff welfare/pensions remittance to LAPTRUST and LAPFUND.
- Building an Ultra-Modern office complex for the County Government of Kisumu.

4.3 MEDIUM TERM DEBT MANAGEMENT STRATEGY

4.3.1 DEBT MANAGEMENT OBJECTIVES AND SCOPE

Debt management has significant repercussions on future spending levels, both in the mid- term period and long - term. Debt management objectives determine the long term aims of debt management and should cover all County government liabilities including contingent liabilities.

Objective as per PFM Act, 2012

- The principal objective of the County government debt management is to meet its financing requirements at the least cost possible with a prudent degree of minimal risk.
- The secondary objective is to enable the government to deal with the existing debt portfolio to release resources to service delivery.

The 2023 MTDS will guide the County Government operations in FY2023/2024 - FY2024/2025. The strategy seeks to balance cost and risk of public debt while considering the financing needs of the county and to develop initiatives for new funding sources.

4.4 COUNTY GOVERNMENT OF KISUMU DEBTS

The County’s debt portfolio stands at Kshs 5,283,314,693.88. This is a decrease of Kshs 43,298,517.98 from the amount of Kshs 5,326,613,211.86 reported in the 2021-2022 Debt Management Strategy Paper.

Table 8: Total County Pending bills portfolio

Description	(DMSP 2023) Kshs	Total debt (%)	(DMSP 2022) Kshs.	Total Debt (%)
Recurrent (Suppliers)	447,941,874.73	8.4%	427,116,604.36	8%
Development (Contractors)	1,605,322,184.98	30.4%	1,295,093,489.22	24.3%
NSSF	459,294,940.00	8.7%	386,948,860.00	7.3%
Unremitted retention	-		70,426,518.00	1.3%
Gratuity	562,598,344.94	10.7%	630,092,577.00	11.8%
Medallion	11,010,000.00	0.2%	8,000,000.00	0.2%
LAPFUND	544,127,480.91	10.3%	420,143,310.16	7.9%
Legal fees and Court Decrees	317,259,897.43	6%	790,000,000.00	14.8
LAPTRUST	135,759,970.89	2.6%	98,791,853.12	1.9
National Housing Corporation	1,200,000,000.00	22.7	1,200,000,000.00	22.5
Total	5,283,314,693.88		5,326,613,211.86	

Source: County Treasury

These are some of the factors that have led to accumulation of debts;

- Unmet local revenue projections - over the years the county has fallen short of its budgeted revenue projections. This is witnessed in the local revenue where the collection realized has been less half of the projection. Given that the budget is shared on the basis of projection and AIE holders begin committing on that basis, it follows that with collection below the target commitment translates to pending bills.

- Non- implementation of Debt Management policy paper –failure to implement mitigation measures in previous DMSP 2023 on steps/ways to reduce to public debt portfolio has led to continuous accumulation of these debts.

4.4.1 CATEGORY AND PRINCIPAL RISK ASSOCIATED WITH DEBT

Table 9: Category and Principal Risk Associated with Debt

Debt category	Nature of risk	Level of risk	Step taken to mitigate against the risk identified
Court Awards Kshs 317,259,897.43	Legal and financial risks resulting in penalties and accrued interest. Taxing of outstanding legal fees resulting in higher fees. Instituting legal proceedings against the County government.	High	<ul style="list-style-type: none"> - Negotiation with various law firms and decree holders for an extended repayment period. - Budgetary allocations to cater for settlement of the awards and fees.
Medallion Kshs.11,010,000.00	Reputation risk in failure to reward employees. Legal risk through instituting legal proceedings to claim the debt.	High	<ul style="list-style-type: none"> - Amount owed has been factored in the budget for the FY 2021/2022. Payment will expunge the debt and clear the attendant risks.
Gratuity 562,598,344.94	Reputation risk for failure to meet the obligations to the employees. Legal risk. Financial risk	High	<ul style="list-style-type: none"> - Measures have been instituted to remit monthly gratuity to County Pension Fund. - Increment in the Personnel Emolument allocations towards settling it.
Contractors and Suppliers of goods and services Kshs 2,053,264,059.71	Legal risk through court proceedings to recover owed sums. Reputation risk. Financial risk in the event interest clause in the contracts are triggered.	High	<ul style="list-style-type: none"> - Recurrent pending bills amount to Kshs.427 million are currently being processed in departments as first charge. - A balance of Kshs.230 million in the pending bills vote will be used to settle development pending bills. The residual balances to be given priority in subsequent

			budgetary allocations.
Statutory deductions (NSSF & LAPFUND & LAPTRUST) Kshs. 1,139,182,391.80	Compliance Risk. Reputational Risk Financial Risk from resultant penalties from non-compliance.	High	<ul style="list-style-type: none"> - Negotiating with these institutions with a view of staggering payments. - Includes verification and reconciliation and finally a viable repayment plan. - Possibility of asset swap also under consideration.
National Housing Corporation Kshs. 1,200,000,000.00	Reputation risk. Legal Risk Financial Risk.	High	<ul style="list-style-type: none"> - Includes verification and reconciliation and finally a viable repayment plan. - Equity in development of housing estate. - Loan from commercial bank to repay outstanding debt.

4.4.2 STRATEGIES OF DEALING WITH DEBT IN THE MEDIUM TERM

The current debt portfolio shows that all the debts are already overdue as most are owed to suppliers, contractors and statutory institutions. Strategies to deal with the existing debt portfolio include:

- i. **Enhancing Revenue Collection:** One of the reasons why pending bills are increasing is due to the County's failure to meet its annual local revenue targets. The County has already embarked on enhancing local revenue collection in order to liquidate debts and to improve liquidity by scaling up automation of local revenue collection.
- ii. **Debt rescheduling or renegotiation:** County may seek to reschedule amounts owed to statutory institutions (KRA, NSSF, Lapfund, Lap trust etc.) with a view of getting better or favorable terms.i.e. an enhanced or longer repayment period. This will go a long way in easing pressure on cash flows and thereby free the cash resources to service delivery.
- iii. **Enforcing prioritization of Recurrent pending bills and budgetary allocation for payment of development pending bills:** The department should prioritize payment recurrent pending bills as first charge in their respective budgets before procuring any new items. In addition, adequate budgetary allocation should be made for payment of development pending bills.
- iv. **Debt/assets tradeoffs:** This strategy may be applied in instances where the County owes various statutory institutions such as NHIF, NSSF, NHC and utility firms such as Kenya Power and Lighting Company, while at the same time, these institutions also owe the

- County in terms of outstanding rates, rent etc. The County may enter into negotiations with such institutions or creditors with a view to trade off debts with the County.
- v. **Debt write offs:** The County may enter into negotiations with the National Government (e.g. debt owed the National Housing Corporation) with a view to writing off long outstanding debts that it guaranteed in order to clean the balance sheet and improve credit worthiness.
 - vi. **Improving cash flow management:** Good cash flow management will ensure that liquidity is available to meet payments obligations as they fall due e.g. issuance of strict AIE to the departments.
 - vii. **Realistic budgetary estimates and targets:** One of the most effective ways of addressing persistent pending bills problem is to ensure implementation of realistic budgets based on reasonable and realizable forecasts. Internally generated revenue forecasts and targets should be realistic and achievable.
 - viii. **Strengthening internal control systems:** Strengthening systems of controls will ensure that the County does not initiate expenditure or procurement without ensuring availability of funds and cash to support the expenditure. IFMIS will continue to be used as an expenditure control tool by using the Vote Book Management System.
 - ix. Debt Management Strategy Paper will be reviewed annually. Current strategy shall be reviewed to accommodate changing debt status to the current economic trends in internal, external and remote environment in which the county continues to operate.
 - x. **Other strategies:** Developing a procedure manual and other regulatory framework that will define payment terms, reporting requirements, controls at budget authorization, commitment and payment stages and sanctions associated with any breach of those provisions.

4.4.3 GENERAL DEBT RISK ANALYSIS

This table outlines the county general debt risk analysis, with a focus on the different categories of debt and the corresponding nature, level of risk and mitigation action. Overall, the table serves as a useful tool for identifying and mitigating the different types of debt risks faced by the county.

Table 10: General debt risk analysis table

Debt category	Nature of risk	Level of risk	Mitigation action
Employee pension Schemes	Compliance risk	Highly critical	Ensure compliance with the laws and legislation.
Other Employee Benefits	Reputation risk.	High	Increase tangible benefits to employees.
Court Awards/ Fees	Legal risks Financial risk	High	Ensure strict compliance with court rulings and decrees. Prompt payment of legal fees.

Other Suppliers and Service Providers	Reputation risks Legal Risk	High	Adhere to customer service charter.
Contractors	Legal risks	Highly critical	Timely payment to contractors through the Vote book management system.

Employee Pension Schemes, is deemed to have a highly critical Compliance risk. To mitigate this risk, the county will ensure strict compliance with the laws and legislation governing pension schemes.

Other Employee Benefits, has a high Reputation risk. The county is addressing this risk by increasing the tangible benefits offered to employees.

Court Awards/Fees, has both Legal and Financial risks that are rated as high. To mitigate these risks, the county is ensuring strict compliance with court rulings and decrees, as well as prompt payment of legal fees.

Other Suppliers and Service Providers, has a high Reputation risk and a Legal risk. To mitigate this risk, the county is striving to adhere to the customer service charter.

Contractors, which has a highly critical Legal risk. To mitigate this risk, the county striving to ensure timely payment to contractors through the Vote book management system.

4.5 RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE ALLOCATION

4.5.1 DETERMINATION OF RESOURCE ENVELOPE

The Kisumu County resource envelope consists of the following items:

- i. Share of National Revenue, which finances over **85 per cent** of the budgeted expenditure; consists of equitable share and conditional grants.
- ii. 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. 8,699,548,135.00 in FY 2023/2024 while the total revenue is projected at Kshs. 10,030,123,129.51 in FY 2023/2024. The total revenue includes the County’s share of national revenue as well as locally collected revenue, which is projected, to Kshs. 1,330,574,994.51 in FY 2023/2024.

4.5.2 CONDITIONAL GRANTS

In FY 2023/24, the National Treasury proposes to allocate Ksh 11.1 billion as additional allocations to County Governments from the National Government share of revenue raised nationally and 33.2 billion conditional allocations from proceeds of external loans and grants. The additional conditional allocations are meant to support specific national policy objectives to be implemented by County Governments.

The legal instrument that will be used to allocate and disburse additional allocations to the county governments is the County Governments Additional Allocations Act. The Act provides the mechanisms for disbursing, accounting and oversight for the additional conditional allocations to the County Governments.

The proposed additional conditional allocation shall be distributed based on its objectives, criteria for selecting beneficiary Counties and distribution mechanisms determined in the Project Appraisal Documents and respective financing agreements.

4.5.3 RESOURCE ENVELOPE FOR FY 2023/2024

The table shows the total amount of funds and revenue generated for each financial year, as well as the grand total for both years. The table provides a clear overview of the county's budget and funding sources. The County projects to have KES **10,485,382,172.00** finance its programs in the financial 2023/2024.

Table 11: Kisumu County Resource Envelope (KES)

ITEM	AMOUNT
Equitable share	8,352,556,635.00
DANIDA	21,991,500.00
KISIP	200,000,000.00
Finance Locally -Led Climate Action Plan (FLLOCA)	125,000,000.00
Total Share of National Revenue	8,699,548,135.00
LOCAL REVENUE SOURCE	
Land Rates	145,000,000.00
Rents	57,000,000.00
Trade license fees	240,000,000.00
Bus Park Fees	182,234,037.00
Parking Fees	131,000,000.00
Reserved slot	9,000,000.00
Monthly Stickers	35,000,000.00
Clamping Fees	500,000.00
Market Fees	80,000,000.00
Stock Ring	5,000,000.00
CESS	12,000,000.00

Building Plans	4,000,000.00
Sign Board promotion	147,000,000.00
Sundry revenue	10,000,000.00
Public Health and Others	6,000,000.00
Sub-Total	1,063,734,037.00
Revenue from Departments	
Health Medical Services	600,000,000.00
Agriculture, Livestock and Fisheries	7,000,000.00
Commerce, Tourism, Trade and Heritage	2,000,000.00
Lands, Housing and Physical Planning	45,000,000.00
Education, Youth, Culture and Sports	500,000.00
Liquor Licence	35,000,000.00
Environment	2,500,000.00
Governance and Administration	100,000.00
Revenue from Payroll	30,000,000.00
Sub-Total	722,100,000.00
Total Local Revenue	1,785,834,037.00
TOTAL COUNTY REVENUE	10,485,382,172.00

Source: County Treasury

Assumption on the resource envelope:

- i. Factoring of opening balances has been deferred to the time of actual budgeting.
- ii. It is assumed that the grants and loans will not grow at the same rate as equitable share from the National Government.
- iii. Other items of loans and grants which are usually budgeted for but never disbursed to the Counties have not been factored in the projections.
- iv. All conditional grants previously disbursed separately have been made to form part of sharable revenue.

4.6 REVENUE PERFORMANCE FOR FIRST AND SECOND QUARTER OF THE FY 2022/2023.

This table shows the own source revenue performance for the first and second quarter of the FY 2022/2023 for Kisumu County government. The table provides the quarter totals for each revenue source, including land rates, rents, trade license fees, bus park fees, parking fees, reserved slot, monthly stickers, clamping fees, market fees, stock ring, Cess, building plans, sign board promotion, boda boda, sundry revenue, and public health and others.

Table 12: Locally collected Revenue First and Second Quarter 2022/2023

REVENUE SOURCE	1st Quarter	2nd Quarter	TOTAL
Land Rates	5,385,646.00	8,349,725.00	13,735,371.00
Rents	2,877,421.00	5,717,272.00	8,594,693.00
Trade license fees	9,439,902.00	4,213,398.00	13,653,300.00
Bus Park Fees	14,770,232.00	14,143,736.00	28,913,968.00
Parking Fees	5,834,635.00	7,845,506.00	13,680,141.00
Reserved slot	1,300,000.00	42,600.00	1,342,600.00
Monthly Stickers	5,966,500.00	5,690,630.00	11,657,130.00
Clamping Fees	27,500.00	-	27,500.00
Market Fees	12,915,980.00	12,832,186.00	25,748,166.00
Stock Ring	694,050.00	671,630.00	1,365,680.00
CESS	1,969,078.00	4,884,518.00	6,853,596.00
Building Plans	162,250.00	275,000.00	437,250.00
Sign Board promotion	27,848,549.00	18,054,403.00	45,902,952.00
Sundry revenue	945,520.00	16,272,150.00	17,217,670.00
Public Health and Others	797,900.00	151,300.00	949,200.00
Sub-Total	90,935,163.00	99,144,054.00	190,079,217.00
Revenue from Departments			
Health Medical Services	93,703,933.00	123,155,353.00	216,859,286.00
Agriculture, Livestock and Fisheries	964,729.00	792,691.00	1,757,420.00
Commerce, Tourism, Trade and Heritage	30,100.00	-	30,100.00
Lands, Housing and Physical Planning	6,392,340.00	4,877,501.00	11,269,841.00
Education, Youth, Culture and Sports	10,900.00	70,000.00	80,900.00
SUB-TOTAL	101,102,002.00	128,895,545.00	229,997,547.00
TOTAL	192,037,165.00	228,039,599.00	420,076,764.00

Source: County Treasury

The sub-total revenue from all these sources for the first quarter is KES **192,037,165.00**, and for the second quarter, it is KES **228,039,599.00**. The total revenue generated from these sources in both quarters is KES **420,076,764.00**.

Similarly, the table provides the revenue generated from different departments of the county government, including Health Medical Services, Agriculture, Livestock and Fisheries, Commerce, Tourism, Trade and Heritage, Lands, Housing and Physical Planning, Education,

Youth, Culture and Sports, Industrialization and Enterprise Dev, Liquor License, Energy & Mining, Environment, Roads, Transport and Public Works, Governance and Administration, and Revenue from Payroll. The sub-total revenue generated from these departments in the first quarter is KES **101,102,002.00**, and for the second quarter, it is KES **128,895,545.00**. The total revenue generated from these departments in both quarters is KES **229,997,547.00**.

The overall total revenue generated by the Kisumu County government in both quarters was KES **420,076,764.00**.

4.6.1 CRITERIA FOR RESOURCE SHARING

The county government in the financial year 2023/2024 will use the following resource sharing criteria:

- 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 **48 per cent** of the total revenue.
- ii. Development expenditures are allocated on the basis of CIDP III priorities as well as strategic interventions to boost revenue base and stimulate the economic growth as outlined in the Kisumu County Governor’s Manifesto 2022-2027 “Wasetimo Wadoktimo”. 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.
- iii. Operations and maintenance: It will account for **22 per cent** of the total estimated revenue.

4.8 EXPENDITURE FOR 1ST HALF 2022/2023

The table shows the expenditure for the first half of 2022/2023 for various departments in Kisumu County. The table gives: department, PE (Personnel Emolument), O&M (Operations and Maintenance), Development, and totals expenditure for each county department.

Table 13: Expenditure up to December 2022

DEPARTMENT	PE	O&M	DEVELOPMENT	TOTAL
Agriculture, Livestock, Fisheries and Marketing	72,365,362	555,329	160,534,810	233,455,501
County Assembly of Kisumu	112,058,694	145,062,346	46,657,736	303,778,776
City of Kisumu	81,838,811	45,731,061	1,998,600	129,568,472
Kisumu County Public Service Board	0	7,899,289	0	7,899,289
Education, Gender, Youth, Human Resource Development, ICT and Social Services	249,065,562	54,340,435	22,275,000	325,680,997
Governance and Administration	42,755,900	27,644,220	0	70,400,120
Health and Sanitation	1,627,943,323	85,083,602	60,000,000	1,773,026,925
Public Service Administration & Devolution	103,831,344	41,596,250	0	145,427,594
Tourism, Culture, Arts and Sports	11,644,374	1,302,800	0	12,947,174
Roads, Transport and Public Works	29,074,644	20,811,600	0	49,886,244
Lands, Housing and Physical Planning	17,272,032	2,008,990	0	19,281,022
Trade, Energy and Industry	35,931,100	4,250,655	0	40,181,755
Finance and Economic Planning	220,660,078	309,760,401	0	908,079,365
Water, Environment and Natural Resources	21,107,986	7,867,602	0	28,975,588

Source: County Treasury

4.9 PROPOSED EXPENDITURE CEILINGS FOR 2023/2024

Rationale for the Ceilings

In the proposals for the allocations for the next financial year the various departmental allocations are proposed on the basis of the weight of the programs they intend to implement. Moreover, the sector ceilings are based on sector priorities and the proposed budget for ADP FY 2023/2024.

Similarly, the departmental allocations are inclusive of conditional grants. An analysis of Sector Ceilings shows that the department of Medical Services, Public Health & Sanitation has the highest percentage allocation of 33.65% followed by Finance, Economic Planning & ICT Services at 23.44%.

The Agriculture, Fisheries, Livestock Development and Irrigation sector endeavors to continue with its value addition programs by continued provision of extension services to nurture improved quality of products. The sector will be allocated 2.44% of the proposed budget. Similarly the sectors of Trade, Tourism, Industry & Marketing, Lands, Physical Planning, Housing & Urban Development will seek to maintain the infrastructures that they possess as they seek for efficiency in service delivery to the citizenry. The sectors will be allocated 2.30% and 2.92% in the financial year respectively.

The departments of Public Service, County Administration & Participatory Development, Office of the Governor and Kisumu County Public Service Board will not be allocated any funds for development, but due to the nature of its activities the Public Service, County Administration & Participatory Development, Office of the Governor will be allocated Kshs 305,209,588.00 for Operations & Maintenance to enable it to fulfill its mandate. The Kisumu County Public Service Board with a lean staff and less operational expenses will be allocated 0.85% of the budget.

The Medical Services, Public Health & Sanitation sector, apart from allocation to compensate a large number of staff providing services in the sector, will need funds for medicine and for the completion of Kisumu cancer centre. For the specified need among others, the sector will be allocated 33.65% of the proposed budget.

The sector of Education, Technical Training, Innovation & Social Services will need funds to continue to provide bursaries and scholarships to the deserving students and construct and equip one TVET centre per sub county apart from its regular mandate. The sector will be allocated 7.33% of the proposed budget.

Sports, Culture, Gender & Youth Affairs will endeavor to rehabilitate Moi Sports Stadium at the tune of Kshs 50M. The sector will be allocated 1.39% of the proposed budget.

Infrastructure, Energy & Public Works sector will seek to complete the roads tarmacking initiative that it already began. The sector will be allocated Kshs 348,215,240 for development in the proposed budget.

The finance, Economic Planning and ICT services sector will require to service pending bills, gratuity as well as electricity and water services among other statutory expenses. The sector will be allocated 23.44% of the proposed budget.

Table 14: Proposed Sector Ceilings

Department	Personnel Emolument	Ops & Maintenance	Development	Total	Percentages
Agriculture, Fisheries, Livestock Development & Irrigation	153,925,882.00	34,397,976	67,512,230	255,836,088.00	2.44%
County Assembly of Kisumu	336,490,356.00	431,033,766.00	150,000,000.00	917,524,122.00	8.75%
City of Kisumu	258,695,144.00	68,575,215	84,234,713.32	411,505,072.32	3.92%
Infrastructure, Energy & Public Works.	58,153,738.00	52,646,994.49	348,215,240	459,015,972.49	4.38%
Kisumu County Public Service Board	40,514,428.00	48,319,347.00	-	88,833,775.00	0.85%
Education, Technical Training, Innovation & Social Services	375,654,831.00	218,057,925.18	175,240,263	768,953,019.18	7.33%
Medical Services, Public Health & Sanitation	2,831,055,761.00	510,828,698	185,962,267.43	3,527,846,726.43	33.65%
Public Service, County Administration & Participatory Development, Office of the Governor.	293,141,757.00	305,209,588.00	-	598,351,345.00	5.71%
Sports, Culture, Gender & Youth Affairs	25,121,198.00	48,493,885	72,564,641.39	146,179,724.39	1.39%
Lands, Physical Planning, Housing & Urban Development	34,682,901.00	40,034,273	231,497,349	306,214,523.00	2.92%
Trade, Tourism, Industry & Marketing	71,862,345.00	38,215,698	130,609,470.00	240,687,513.00	2.30%
Finance, Economic Planning & ICT Services	449,197,797.00	508,363,995.84	1,500,000,000.00	2,457,561,792.84	23.44%
Water, Environment, Natural Resources & Climate Change	64,240,583.00	42,853,438	199,778,477.91	306,872,498.91	2.93%
TOTALS	4,992,736,721.00	2,347,030,799.51	3,145,614,652.05	10,485,382,172.56	100.00%

Source: County Treasury.

