

REPUBLIC OF KENYA



**COUNTY GOVERNMENT OF KILIFI**  
**THE COUNTY TREASURY**

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**2019 COUNTY FISCAL STRATEGY PAPER**

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**TOWARDS ATTAINING PEOPLE-FOCUSED TRANSFORMATION  
AGENDA FOR EMPLOYMENT CREATION**

**FEBRUARY, 2019**

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This County Fiscal Strategy Paper (CFSP) has been compiled using latest information, some of which is unaudited or subject to revision.

To obtain copies of the document, please contact:

The County Treasury  
P. O. Box 509  
KILIFI, KENYA

The document is also available on the website at: [www.kilifi.go.ke](http://www.kilifi.go.ke)

## **1 Legal Basis for the Publication of the County Fiscal Strategy Paper**

The County Fiscal Strategy Paper is published in accordance with Public Finance Management Act No. 18 of 2012, Section 117 which requires the County Treasury to:

1. 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. Align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
3. 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. 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. 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.

This Section of the law also requires that;

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.

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## **CHAPTER 1: TOWARDS ATTAINING PEOPLE-FOCUSSED TRANSFORMATION AGENDA FOR EMPLOYMENT CREATION**

### ***1.1 Overview***

1. This 2019 County Fiscal Strategy Paper (CFSP) channels resources towards attaining people-focused transformation agenda for employment creation. The people-focused transformation agenda, as implemented under five key policy goals was initiated in the 2018 CFSP in an effort to avail benefits derived from County functions at the doorstep of the people. The 2018 CFSP laid the foundation for the shift from structural to people-focused transformation. This witnessed implementation of policy measures that shifted resources towards completion of ongoing projects, operationalizing complete projects and recruiting of additional staff such as ECDE teachers, and medical staff so as to offer requisite services. Thus, this 2019 CFSP reflects on what has been achieved in implementing county functions since inception of devolution to define, refine and channel resources towards programmes and projects that lead to the attainment of the people-focused transformation agenda. Implementation of the people-focused transformation agenda is underpinned in the five-point policy goals to;

- i. Ensure food sufficiency for all residents;
- ii. Provide safe water within a radius of 3.5 kms;
- iii. Promote good performance and quality education;
- iv. Ensure accessible, equitable and quality healthcare services, and;
- v. Secure beneficial use of land, other natural resources and build environment.

2. The broad strategic priorities towards implementing these policy goals spelled in this paper are derived from the County Integrated Development Plan (CIDP) 2018-2022, Annual Development Plan (ADP) for FY 2019/20, the County Executive Members as well as public views obtained during Public Consultative Forums on Budget Proposals for FY 2019/20 held in December, 2018. This paper is also aligned to the 2019 Budget Policy Statement (BPS) which outlines priority policies and strategies to implement the 'Big Four' Agenda as prioritized in the Third Medium Term Plan (MTP-III) of Vision 2030. The 'Big Four' Agenda prioritizes implementation of policies and programmes towards;

- vi. Supporting job creation by increasing value addition and raising the manufacturing sector's share to GDP;
- vii. Focusing on initiatives that guarantee food security and nutrition to all Kenyans;

- viii. Providing universal health coverage thereby guaranteeing quality and affordable healthcare to all Kenyans; and
- ix. Supporting construction of at least five hundred thousand (500,000) affordable new houses to Kenyans.

## ***1.2 The Five-Point Agenda for Action***

### ***1.2.1 Ensuring Food Sufficiency for all residents***

3. The county government aims to achieve food sufficiency and in so doing enhance her food and nutrition security position in line with ‘The Big Four’ Agenda. The pursuit for food sufficiency is grounded on the predominance of subsistence food crop cultivation and a related primary concern for households in the County to put safe, nutritious and sufficient food, which is at their disposal, on the table. At the household level, incomes earned from cash crops, livestock and livestock products and fisheries serve to supplement shortfall in subsistence food supply as well as meet other needs including education and health. This, in part, informs the continued efforts of the county government to incentivize the shift from traditional to commercially oriented and modern agricultural practices. The other rationale for this policy stance revolves linkages between agriculture and other sectors especially manufacturing, which is another pillar of ‘The Big Four’ Agenda. As such, the county government supports value addition initiatives under ‘The Big Four’ Agenda and has in this paper spelt how the attendant measures and benefits are drawn by the residents.

4. The specific initiatives and programmes undertaken by the county government to incentivize the shift to commercially oriented and modern agriculture are agricultural mechanization services; provision of farm inputs; agribusiness development, marketing and information support; irrigation development and management; livestock production and management, value addition and marketing; animal disease control and management; animal genetic improvement; animal product safety; fisheries production and management; and quality fisheries assurance and marketing. The initiatives for implementation towards attainment of food sufficiency span food crops, industrial crops, livestock production, blue economy, trading and cooperatives, road infrastructure and gender, youth and children. The broad strategic priorities, programmes and projects for implementation are detailed in the sub-sections below.

### ***1.2.1.1 Food Crop Initiatives***

5. The County Government will continue to stimulate food crop production at subsistence, small holder and large-scale production to ensure food sufficiency. The specific projects and activities undertaken to stimulate production and productivity along these lines have borne impressive results though challenges remain. With regard to agricultural mechanization services, the county government has 52 tractors available for hire at a subsidized cost but frequent breakdowns have led to decreased acreage from 4,800 acres in 2017 to 2,600 in 2018. The County Government will continue to regularly train the machine operators to improve their competencies in handling the tractors and undertake routine maintenance and spot checks to minimize frequent breakages. To enhance agricultural mechanization, demonstration programmes will be undertaken by extension officers on use of machines such as planters, combine harvesters, small scale combine harvesters, shellers, and machines to dehust coconut. This project will bring in private sector players, especially service providers who will avail these machines to the County on leasehold agreements.

6. The County has also supported farmers by providing certified seeds to promote uptake of improved technological traits in crops such as better yields, pest tolerance and drought resistance that ensure increased food production and productivity. In this regard, the County supported 11,660 farmers consisting 7,396 female and 4,264 male with 48.6 tonnes of certified maize seeds, 3.56 tonnes green grams, 3.57 tonnes of cowpeas. The youth beneficiaries in each category were 396 female and 264 male. The County will continue to support women and youth engagement for precision and sustainability of this project.

7. With regard to irrigation development and management, by 2018, the County had lay irrigation infrastructure that covered 8,700 acres of land and benefiting 2,925 farmers. The irrigation infrastructure that was laid along River Galana/Sabaki, namely Balagha and Burangi Irrigation Schemes was washed away by floods during the long rains in 2018. In response to this exogenous shock, the county government has developed the Kilifi County Irrigation Scheme Productivity Enhancement Programme to not only re-install, but expand and safeguard irrigation infrastructure. The new irrigation infrastructure will employ tractor driven power take off generators which can be shifted to higher grounds during flooding.

8. Extension officers have trained 34,220 farmers on farm management in 2018. Out of these farmers 20,532 were female while 13,688 were male. The County will also redirect

ongoing efforts by extension officers to train farmers towards building the capacity of production units to handle harvest and constitute them as satellite value-addition centers. Thus, the shift in targeted beneficiaries for the training to production units together with the change in content such as techniques on how to dry vegetables to preserve and protect leafy harvest from damage will contribute towards reducing post-harvest losses and attract higher prices. This is one of the value-addition techniques that the County will promote alongside processing of cassava upon completion of the plant in Tezo.

#### **1.2.1.2 Industrial Crop Initiatives**

9. The county government will continue to support development of industrial tree crops especially cashewnut, coconut, mangoes and citrus fruits with a view to boost household incomes, value-addition and employment opportunities, and in turn, contribute to food and nutrition security. As part of the ongoing initiatives, the County provided 33,000 coconut seedlings and 45,000 cashewnut seedlings to replant and revitalize the tree-crop sub-sector in 2018. This initiative has drawn partners to support expansion, replanting and revitalizing cashewnut and coconut growing and value-addition through processing the produce. This assures farmers that they will get a ready market and employment opportunities as well.

10. To support the textile industry, create employment opportunities and generate income, the county government will extend growing of genetically modified cotton, *Basillus Thuringensis* (BT), from the 100,000 acres set aside at Galana Kulalu to other parts. In addition, the County will consume results from research and development that has found coffee and cocoa to be doing well in this region too. Cocoa is growing and doing well at Kenya Agriculture and Livestock Research Organization (KALRO) in Mtwapa and will be used together with cotton and coffee to introduce alternative cash-crops in the County.

11. To promote value-addition, the County encourages producers of mangoes and citrus fruits to organize themselves as cooperatives and tap into the Mbegu Fund to start them up in processing mangoes and citrus fruits into other products such as juices. This will go a long way towards addressing exploitation by middle-men and the products will fetch better prices while minimizing post-harvest losses.

#### **1.2.1.3 Livestock Production Initiatives**

12. To promote livestock production and productivity, the County will continue to improve animal genetics by introducing high yielding breeds for poultry, rabbits, goats, beef and dairy



cows. There will also be extensive follow-up on farmers by extension officers through farmers training, field days, on-farm demonstration, farm visits, barazas and organized learning tours. Livestock extension services were offered to 40,548 farmers out of which 23,871 were female and 16,677 were male. Efforts towards improving extension services will be intensified and ensure their visibility by providing uniforms, facilitate their mobility and continuous capacity building and learning. Efforts of the County to support animal breed improvement through artificial insemination have witnessed formation of 9 artificial insemination groups, 992 inseminations done and several calves born during FY 2017-18.

13. To enhance animal disease control, vaccinations, vector control and clinical interventions will continuously be undertaken in a bid to improve production and productivity. Vaccinations are conducted to boost the immunity of a herd as is done as many times and as regularly as possible. The County will continue to invest in vaccination crushes as well as provide vaccinations against Anthrax and Black quarter, Contagious Caprine Pleuropneumonia, Foot and Mouth Disease and Rift Valley Fever, Rabies, Newcastle diseases (NCD) and Gumboro in poultry. The County moved with speed to prevent an outbreak of Rift Valley Fever and Anthrax immediately after the heavy rains in 2018 and will continue being vigilant to prevent any future threats to disease outbreaks. Tsetse flies and ticks pose a risk on the wellbeing of herds and their products such as hides and skins. The County will continue providing extension services to control tick borne diseases such as East Coast Fever, Anaplasmosis, Babesiosis, Heart Water, Tick Fever and Tick paralysis and Tse Tse borne diseases such as Trypanosomiasis (Nagana in Animals and Sleeping sickness in humans) through application of appropriate acaricides to the animals. This is mainly done by dipping or spraying. In this regard, the County rehabilitated 32 cattle dips and provided pumps and acaricides to supplement dipping where water was inadequate due to the prolonged dry spells.

14. The County recorded 4,265.4 tonnes of beef, 280.4 tonnes of mutton, 309.5 tonnes of chevron and 89.9 tonnes of poultry meat which were processed in the 8 major slaughter houses namely; Malindi, Vipingo, Kilifi, Mombasa, Rabai, Uwanja wa Ndege, and Mambrui Slaughter Houses. These products were inspected under the veterinary public health services for prevention and control of zoonotic diseases, and quality control and assurance on products originating from the County. The County will continue offering this service to safeguard human health and provide quality assurance on meat products. Hides and skin inspection is another service that

provides quality control and assurance that the County will continue to offer in support of the leather industry which has been prioritized in the 'Big Four' Agenda. Indeed, the leather industry has attracted private investors in the County who have established tanneries to process hides and skins thereby offering a ready market, employment opportunities and contribute to value-addition and manufacturing.

15. On milk production, the County has provided dairy cows to farmers in support of the upgrading programme to increase milk production. In 2018, 60 in-calf heifers were provided. The County is also constructing milk cooling plants which are at various stages of completion in a bid to preserve and provide an organized market for milk.

#### ***1.2.1.4 Blue Economy Initiatives***

16. The County hosted the Agribusiness and Blue Economy Conference under the auspices of Jumuiya ya County za Pwani (JKP) from 14-16 November, 2018. This was also a pre-conference for the first global Sustainable Blue Economy Conference held in Nairobi from 26-28 November, 2018. These events and the follow-up programmes are clear indication to the renewed interest to revamp the development of coastal areas which can be shown to be the bedrock of the history of development globally. The County opts to optimally draw on the benefits from the operationalized Liwatoni Fishing Complex and impending flagging-off of vessels that will enable Kenyans to harvest fish from its Exclusive Economic Zone (EEZ). To do this, the County will sensitize and offer opportunities for women, men, and youth to take up trades in vocational centres and other institutions to deepen skills and knowledge on blue economy. Trades offered in Vocational Training Centres in the County will be tailored towards craftsmanship such as boat and gear making to meet this need and make beneficiaries internationally competitive. Kenya Wildlife Service Training Institute (KWIST) and Kenya School of Agriculture (KSA) are two other institutions that offer trainings on aquaculture and marine agriculture that the County intends to tap from so as to improve skills and enhance employability especially of the youth. The County, with support from development partners, will set-up and facilitate a monitoring, surveillance and control of sea water unit as a sub-post that links up with the one at Liwatoni Fishing Complex to enhance surveillance, monitor illegal fishing and respond to emergencies when they arise.

17. To enhance marine fisheries production, concerted efforts will be put to improve catch fish yields. To do this, spatial mapping which is an ocean management tool for identifying

fishing sites, protecting fish nurseries and juvenile fish is accorded priority. The County will upscale the support offered to the 17 Beach Management Units (BMU) through fishing boats, common extraction facilities and assorted fishing gears. This support is augmented by the construction of fish landing sites by both the county and national governments in Malindi, Ngomeni and Chitswa cha Kati among others. The construction of a fish port in Takaungu is also a priority towards improving catch fish yields that will be realized with the support of partners.

18. To promote sea weed farming, the County will build the capacity of women to take up the trade. In addition, the County will promote use of marine water for fishing through mariculture ponds and support crab farming which requires crab cages.

19. To incentivize aquaculture production, the county government has been providing fingerlings and will upscale this initiative to construction of fish hatcheries to avail these fisherlings to farmers on a need basis instead of buying them. This programme goes hand in hand with the construction of fish feed mills that help to reduce cost and increase earnings.

#### ***1.2.1.5 Trading and Cooperative Initiatives***

20. The County Government will continue to provide a conducive environment, both physical and regulatory, for trade to thrive. This is aimed at supporting households to sell their surplus farm produce, which are mostly vegetables, fruits, meat and fish. In this regard, completion of the Mtwapa Market is accorded priority together with lighting up constructed and open-air trading centers in order to extend hours of doing business after sun-set. In terms of the regulations, the County will continue to avail opportunities that make it easy to comply with requirements to start and run business such as the Unified Business License. With regard to industrial crops and milk, the County will revitalize the cooperative sub-sector in a bid to support collection, preservation, distribution and enhance bargaining power to fetch better prices for their produce.

#### ***1.2.1.6 Road Infrastructure Initiatives***

21. Road infrastructure remains a key enabler for the County to attain food and nutrition security and grow the economy as well. In this regard, the County Government will continue to open access roads and improve and maintain roads to motorable standards. This will be done in a way that supports the development agenda of the County Government. As such, the County will continue to open access that move agricultural inputs and products in a bid to support the food sufficiency agenda.

### ***1.2.1.7 Gender, Children and Youth Responsive Initiatives***

22. The County Government will draw on the fifth goal of Agenda 2030 on Sustainable Development aimed at achieving gender equality and empowering women and girls by focusing efforts aimed at addressing their vulnerabilities on food and nutrition security. This will be achieved by building the County's capacity to collect formal data and statistics on the contribution of women and youth towards food sufficiency with a view to develop proper interventions while addressing glaring discrimination against them in the process.

On children affairs, the County will reach out to sensitive households and oversee implementation of the delicate balance towards raising a socially and economically responsible generation while protecting the rights of children against unpaid work, which is mostly done at the household level. The ongoing cash transfer to the elderly programme is an effort towards providing social protection to the elderly and by extension protect vulnerable children, who may bear the burden of supporting them, from being forced to work. Although child-abuse manifests itself in other forms such as sexual molestation and rape, which the County is alive to, such work amounts to abuse.

23. The other children affairs, which border disruption of a child's growth and development path, are early pregnancies, early marriages, and emergent street children. These are latent social challenges which are sometimes recorded and read as school dropouts. When left out, this segment of the population taints efforts by the County Government to enhance food and nutrition security let alone future work-force loss. It is on this basis that the County Government seeks to forestall such social ills and empower the affected to attain employability levels.

24. The County Government will train and impart skills to youth on blue economy trades in order to prepare them to take up employment opportunities. This initiative will tap into the curriculum on blue economy that has been developed and ongoing negotiations to cut the cost for youth sponsored by the County. The trades offered under this curriculum will improve their employability by imparting skills such as preservation of flora and fauna and boat making. There will also be additional efforts to support and mobilize youth to take up agribusiness, marketing and information support opportunities.

### ***1.2.2 Provide Safe Water in a radius of 3.5 kms***

25. Provision of safe water remains a policy goal for the County since water is a key resource that enables economic development and growth. The County has undertaken several water infrastructure developments over the past five years of devolution in a bid to ease the burden on women and children in search of water for domestic and agricultural use. The average distance covered by women and children in Kilifi County in search of potable water was put at 5 Km in the CIDP 2013-2017. However, this record masked internal inequalities where some villages in the County such as Kamale had to walk for 19 Km to get the nearest source of potable water in Kadzandani. The predominant system of getting water in these communities is the traditional 'masa' system where people excavate the dry river bed until they encounter some moisture then they fetch the small amounts of muddy water until they fill a 20-litre jerrican in turns.

26. The water sector is a key resource attracting area for the County to ensure adequate supply of clean and safe water. Previous efforts to sink boreholes across the County have been boosted by the procurement of borehole drilling rig in the Financial Year 2018/2019 which has made it affordable to drill boreholes in the county. In the Financial Year in question, the Department of Water, Environment, Natural Resources and Solid Waste Management has lined up 20 boreholes across the County. Additional water harvesting infrastructures such as dams and water pans have been constructed, to increase access to the clean water for both domestic and agricultural use. In the first five years of devolution, the Department of Water implemented 258 different water projects across the County reaching to an additional 466 people having access to water. As a result of this the average distance covered by women and children in search of water in Kilifi has reduced from 5 Km in 2013 to 3.5 Km in 2018. The total length of the water supply pipeline increased from 2,136 Km in 2013 to 2,630 Km in 2018. The piped water coverage in the County has also increased from 48.1% in 2013 to 63% in 2018 as a result of a concerted effort to develop new water supply pipeline as well as rehabilitation of the dilapidated ones throughout the County. Towards this end, the laying of the pipeline from Tezo to Kilifi with an additional 5,000 cubic meter capacity Water storage tank through World Bank funding well fits in the overall vision of having universal access to water to all the residents of Kilifi. In the first five years an additional 494 Km of water supply pipelines were constructed in different projects across the county, an additional 70 boreholes were sunk and operational and 25 water pans

constructed in different parts of the county. This connected an additional 466,000 people to water supply.

27. In areas where pipelines are yet to reach, water harvesting efforts by the County have been galvanized by installation of solar driven boreholes has been scaled up. Some of the boreholes turn saline while others yield good quality water. The most affected boreholes in salinity have been struck in Kayafungo ward in Ndatani, Kirumbi and Tsangatsini. The County Government has in the coming financial year scheduled installation of desalination plant in Ndatani borehole which happens to be the borehole with the highest salinity at 1,287 mg/l. Upscaling of this initiative shall be carried out in subsequent financial years depending on the performance of the first lot of plants installed. In addition to these initiatives, the County has and continued to invest in water storage tanks to act as buffer during scarcity or down time. Some of the major water storage facilities constructed by the County include 250 CUM Blue scope tank in Kadzandani, 250 CUM masonry tank at Kwa Mwadori, 250 CUM masonry tank at Kibaokiche and 100 CUM blue scope tank at Konjora. Several 50 CUM masonry and ferrocement tanks have been installed in several wards of the County.

28. Solid waste and other effluent pose a risk to the environment and may find its way into water bodies. For solid waste management, the County concerted efforts by the County in managing the waste entail waste collection points where receptacles are used to collect the waste before disposal. As such, there are several waste collection sites and dumping sites where waste is assembled and management. To support this, the County regularly maintains the access roads to these dumping sites to minimize maintenance costs of garbage compactors and breakages. In the same vein, the County obtained a garbage compactor and solid waste bins to increase frequency of garbage collection and time for holding garbage before being collected. To comprehensively manage solid waste and boost environmental conservation, the County will look into crucial infrastructural layout that will check the structures and projects for economic and social development.

29. The road network in the country is also a crucial infrastructural component that supports provision of safe water because pipelines are mostly laid along road reserves. Previous years have seen a lot of investments in the construction of roads and road amenities, such that the county boasts of kilometers of tarmac, murrum and graded and compacted roads. There are other projects in the road sector that will boost access and open up areas for other public services to be

delivered and experienced. Therefore, the county government will map the existing public facilities like schools and hospitals to the road network to ease access and open them up for water supply infrastructure especially pipelines.

30. The County acknowledges the need for a clean energy grid that will not only provide viable alternative to conventional forms of energy but also a sustainable and cheaper, energy option. Such, critical investments have been done in the solar energy provision, with solar energy lamps and street lighting in place. Similarly, the boreholes sunk across the county have been powered using solar water pumps and this is a significant investment that is also a cheaper and viable option.

31. Solar lanterns have also been supplied to schools, an intervention that boosts the learning environment and to check on the sustainability options of green energy that helps to conserve the environment. The solar lanterns together with the rural electrification projects of the national government fast track the development agenda of the County by extending productive hours beyond the onset of darkness. This will boost the economic over turns and boost prosperity for households and the entire economy of the County. In this vein, the County will install street lights in Mazeras and Gombeni. Street lighting will provide a number of important benefits including security in those areas as well as increase the quality of life by artificially extending the hours of doing business. Street lighting will also improve safety for drivers, riders, and pedestrians. This will in turn enhance economic activities in the County.

32. ICT remains a crucial enabler that is important to the activation of most development programmes within departments including water sub-sector. There have been crucial investments in the development of ICT infrastructure across the county departmental units, which have allowed for effectiveness and efficiency of service delivery. Similarly, the county has focused on internet provision across departments to streamline the provision of services. Specific departments in which the ICT infrastructure is necessary include water department; for billing and payment of water fees, finance department; for revenue collection and automation, health department; for patients records and revenue collection, education department for the digital literacy programme and the scholarship fund as well as lands department for the digital mapping programme. However, there is need to improve capacity in terms of the ICT infrastructure and digital facilities for efficiency across the County. Therefore, for the digital space, there is need for the establishment of data banks, digital literacy programs as well as entrenching a culture of

ICT driven workings. This will not only improve service delivery but also increase the impact of the public services to the mwananchi and instill integrity to the county government's process, for posterity and prosperity.

### ***1.2.3 Promoting Good Performance and Quality Education***

33. Education fosters human dignity and is important for posterity. Therefore, undertaking interventions to secure good performance and quality education need not be emphasized. In this regard, the county government undertakes to offer equality education in conducive environments namely;

- i. Physical environment;
- ii. Academic environment
- iii. Economic environment
- iv. Socio-Cultural environment

#### **Physical Environment**

34. . With regards to physical environment, the County has 1,519 Early Childhood Development Education (ECDE) centres consisting 813 public and 706 private institutions. To further improve the physical environment, the County has completed construction of 222 ECDE classroom while 109 are at advanced stages of completion. Improvement in physical environment tends to attract and retain pupils such that the total enrolment in 2018 stood at 135,491 composed of 67,078 girls and 68,413 boys. This translates to a gross enrolment rate of 81.5 percent and net enrolment rate of 78.9 percent.

#### **Academic Environment**

35. Academic environment enhances and maintains the quality of education offered. Therefore, to improve academic environment, ECDE teachers who were recruited on three years' contracts were put on permanent and pensionable scheme of service to boost their morale. They were 667 teachers. In addition, 360 ECDE teachers were recruited to build staff establishment to 686 teachers out which 628 are female and 58 are male. This leaves a capacity gap of 377 which the County will fill from next year and over the medium term. In the same vein, there have been significant capacity building efforts for teachers to embrace the new curriculum, especially the use of teaching aids like rotating toy box and play tools. The county government is keen on establishing a uniform standard of teaching through training of teachers to develop and deliver a similar learning model that encompasses the emerging issues in this field. Supervision and



guidance of the learning environment is undertaken by the ECD supervisors stationed across the County. This is for quality assurance as well as standardization of practices and education methods. The County is also focused on disability mainstreaming and there will be special needs ECD centers built and equipped to ensure holistic and focused wellbeing of every individual.

36. Further, the County is piloting the digital literacy programme in 35 model schools to determine implementation feasibility. This is in addition to the rolling out of the new curriculum for which the county government has invested significant resources. The County has taken up the formation of play groups (day care centres) as recommended by the Kenya Institute of Curriculum Development (KICD) and this will have an inherent shift in the provision of early childhood education. To embrace this, the county has adopted a pedagogical system of teaching; a new scheme for which the learners will use toys and charts and other learning materials provided for their holistic learning experience, as well as embrace the jolly phonic teaching approach supported by a British Education Charity for a year after which the county government will run the programme by itself.

### **Economic Environment**

37. The Ward Scholarship Administration Fund remains the most reliable tool and widely appreciated response offered by the County to reduce the economic burden for education on households. The County supported 33,318 students consisting 14,599 girls and 18,719 boys. Secondary school beneficiary were 15,291 out of which 7,340 were girls and 7,951 were boys. This higher share of beneficiaries is in response to the awareness that the economic burden for education is more pronounced in secondary school level in the County. Analysis of beneficiaries for all these categories during FY 2017/18 is provided in the table below.

#### **Number of beneficiaries by category, boys and girls**

	<b>CATEGORY</b>	<b>AMOUNT</b>	<b>GIRLS</b>	<b>BOYS</b>	<b>TOTAL NO. OF STUDENTS</b>
1	UNIVERSITIES	29,429,832	1,729	3,356	5,085
2	COLLEGES	18,456,437	1,710	2,091	3,801
3	SECONDARY SCHOOLS	187,170,462	7,340	7,951	15,291
4	POLYTECHNICS	18,879,540	3,349	2,425	5,774
5	DRIVING SCHOOLS	2,840,468	471	2,896	3,367

	<b>TOTAL</b>	<b>256,776,739</b>	<b>14,599</b>	<b>18,719</b>	<b>33,318</b>
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38. The County’s school milk programme to learners in ECDE boosts retention of children in school and supports free primary education. The County provided 2.5 million packets of milk over the past two financial years and will continue to provide milk to learners. This will also be tapped to the national government school feeding program which will then allow learners to stay in school without distraction. Towards this end, the County will construct additional infrastructure such as kitchens to make implementation of this programme a success.

### **Socio-Cultural Environment**

39. The county government, in a bid to improve socio-cultural environment, awarded one year scholarship to form one students who were admitted in national schools in 2019. This award is a motivational reward to these learners and leads to good performance and quality education among learners in the County. Gender parity rates in enrolment and retention have also been narrowed through rigorous campaigns and efforts at encouraging girls to enroll and stay in school. It is important to note that the county government is keen on reducing the infamous early pregnancies through sensitization, meetings and trainings to learners and the community.

40. Information and Communication Technology (ICT) enables the County to deliver efficient public service. As such, internet connectivity through decentralization of ICT services to all sub sectors in the county government will be enhanced. This is together with the crucial infrastructure that has been laid for installation of data centers across departments as well as installation of a business information centre, a programme that is supported by the World Bank. This will increase the efficiency and effectiveness of public service delivery and boost the integrity of systems and processes.

41. With regards to information dissemination, the County will obtain radio frequency and fast track the radio project to provide a legitimate source of information dissemination and publicizing county programmes and services.

### **Diversification of Trades in Vocational Training Centres**

42. Conventional trades offered in vocational training centres have created various opportunities for the youth in the informal sector but the dynamic market needs call for diversification to emerging trades and specialties such as the blue economy. In this regard, the

County will collaborate with the key industrial players in the vocational training institutes and advance training in basic skills for this industry as a prerequisite for the youth to exploit the emerging opportunities. Trades for skills such as scuba diving and boat making will be offered. Women also stand to benefit from the same diversified trainings, especially in the cottage industry. This will be a build-up on the existing infrastructure, as the training will and can take place in the existing workshops and village polytechnics, thus contributing to the county's economic development through direct and indirect earnings.

43. In addition to this, the business incubation centres will be equipped and the stalled ones revamped to address these concerns. Similarly, there is a shortage of trainers in the new trade lines and the county sees the need to employ more trainers in the new lines to achieve this feat.

44. There are concerted efforts to bring on board donors and other stakeholders who will bankroll the program as well as check on other technical issues that surround the successful implementation of these programs. The county's role will be therefore to provide the crucial data for the baseline surveys and studies that will inform the implementation of these programs. Therefore, there is a need for adequate resource provision towards baseline studies as well as other feasibility studies in this area.

45. Other avenues for youth and women empowerment will be facilitated through 'Mbegu Fund', launched in January 2019, which is a kitty for seed capital. This is a crucial resource enabler from the county government, to boost the economic muscle of small-scale traders and business people. It is also a significant effort to the business incubation centres that were formed to train the business people with efficient skills. It is designed to take off by allowing for businesses and other opportunities, with a keen focus on women and youth. For a start, the fund has a total cash outlay of Ksh. 15 million.

## **Sports and Culture**

46. With the rolling out of the new competency-based curriculum, the county is keen on improving its sports and cultural infrastructure, to be in tandem with this new development.

The construction of the amphitheatre is complete and three sub county sports offices have been upgraded while others are under construction. There are concrete plans to build a modern stadium in Kilifi, and this will allow the residents to have access to sporting facilities that will nurture the talents and skills as well as contribute to the education sufficiency envisaged in the new curriculum.

#### ***1.2.4 Ensure accessible, equitable and quality healthcare services***

47. There is need for the county to maintain a healthy population as this is a crucial bedrock for sustained livelihoods and economic growth and development. A healthy population is essential for higher productivity and sustained long term development of the County. The importance of healthcare can therefore not be under scored. The county has continuously invested in health infrastructure in previous years in terms of opening up of new dispensaries and health centers as well as upgrading the existing sub county and county hospitals through flagship projects that are at final stages of completion and by purchase of specialized medical equipment. The county has 116 health facilities (4 hospitals, 14 health centers and 97 dispensaries). 26 dispensaries started under CDF and LATIF funding has been completed by the county. Notable Key investments are at different stages of completion among them the Kilifi County Hospital Complex, the County Ware House, Mariakani Maternity Wing, Bamba Hospital Maternity and Theatre, Jibana Maternity, Rabai Maternity and Theatre and Marafa Maternity and Theatre. To improve the health facilities capacity and to increase access to specialized diagnostic health care, the following equipment were procured: Physio/Occupational/Orthopedic Equipment, Renal Dialysis, CT Scan and Digital X-ray Machines, Laboratory Equipment, X-ray Machine, 2 Dental Chairs, 4 Operating Tables (for Rabai, Bamba, Jibana and Mariakani), anesthetic machines and assorted theatre equipment. Further, the department procured the following equipment 12 baby incubators, 80 delivery beds, 120 patient beds and mattresses, 20 stethoscopes, 20 baby weighing scales, 20 adult weigh scales, 20 suction machines, 20-wheel chairs. 40 office tables, 80 office chairs, 40 screens and 40 drug cabinets.

48. These facilities and the investments made in modern medical equipment are revolutionizing healthcare delivery in the County. Available facilities have drastically improved access to medical services by reducing the distance to the nearest medical facility.

To improve on the quality of medical services offered the county has gradually increased the number of medical personnel in the medical facilities by employment of more doctors, nurses and other specialized personnel. Currently over 200 medical staff across cadres have been deployed. This is geared towards strengthening the gaps and staffing levels and improving efficiency and effectiveness in health care service delivery. This in turn has reduced the doctor: patient ratio and Nurse to patient Ratio. However, the county is still below the recommended ratios. The capacity of public health staff has also been enhanced through trainings.

49. Primary health care is the essential health care in terms of preventive health services which is the first point of contact for a patient. In the medium, the county will focus on improving the delivery of effective, efficient, prompt and quality health services through various interventions in line with the key strategic priorities. Strategic investments will be made in preventive and Promotive health care services in a bid to stimulate disease prevention practices and promoting healthy behavioural practices that keep and sustain people healthy in the community.

50. Strategic priorities areas include improving adoption of family planning services, improving maternal child and adolescent health, improving human nutrition in order mitigate against malnutrition especially among the under five children, enhance vaccination coverage through intensified immunization campaigns, to reduce child mortality. Mothers will be encouraged to attend antenatal clinics in health facilities to reduce maternal mortality. Emphasis will also be put in the strengthening preventive programmes to reducing new HIV infections and TB related incidences. Deliberate efforts will be rolled out to reduce incidences and risks factors to non-communicable diseases. Environmental health and community health campaigns and disease surveillance will be emphasized in order to secure the health of the communities in the county. Additionally, the county will continue supporting infrastructure development, human resource development and management and commodity supplies in order to effectively, efficiently and proactively support equitable access and provision of curative and rehabilitative health services with a view of reducing both morbidity and mortality. Health interventions for ending drought emergencies will be strengthened. The County Health Facilities will be rehabilitated to offer Integrated and Comprehensive Healthcare. Priority will also be given to the developing, institutionalizing and operationalizing of relevant policy and legislative framework with a view of achieving harmony, effectiveness and efficiency in the coordinating the health workforce and development partners to achieve excellence in health care service delivery.

51. In the medium term, the county health systems will be strengthened in terms of capacity to offer health services, enhance readiness and availability of essential health services/products by equipping and expanding health facilities, supporting private health care providers, health regulation, safety and quality and bolster the provision of health care services to all including specially groups such as the ageing and children.

52. The county will also continue efforts to improve water, sanitation and hygiene which aim to boost overall health. The health care environment will be enhanced through investment in water supply projects such as drilling of boreholes, construction of water pans, extension of pipelines and providing water tank in various health facilities. The county will also ensure that all open day markets meet the required hygienic standards as per public health requirement.

Towards achieving of universal health care, the county intends to strengthen community health strategy by establishment of new community units, training of CHVs, CHWs and recruitment of community health assistants. Key focus will be given youth and women who are key stakeholders as far as public health is concerned.

53. The county will partner with schools to reduce adolescent and teenage pregnancies, early marriages, and school dropout through formation of a School health multi-stakeholder platform to facilitate integration of thematic areas like SRH and nutrition into the school health programs. To promote environmental health in schools the county will implement school health programme by conducting Orientation Meeting in Schools on health guidelines, targeted comprehensive School visits for demonstration sessions on hand washing and health education for schools, assess and award the best performing schools in WASH, Form and train school health clubs, distribution of water Treatment agents to schools.

54. Nutrition is a key component in health that should we intend to focus on with more emphasis on children less than 5 years. To reduce prevalence to acute and chronic malnutrition we intend to mother to mother support group and opinion leaders on nutrition sensitive package and MIYCN sensitize HCWs and CHVs on high impact nutrition and new CHANIS training of health workers on baby friendly initiatives. Train health workers on maternal infant and young child nutrition.

#### ***1.2.5 Secure beneficial Use of Land, Other Natural Resources and Built Environment***

55. Land is a crucial factor of production. In the context of the county government, it is a crucial enabler for most of the sectors attaining their development goals as well as an important resource in which most economic activities take place. The CFSP 2019 will thus focus on increasing the usability of land and attaining maximum benefits and utility from this resource.

56. To improve the usability of land and intensify production efforts on it, the county government aims at addressing the land ownership issue. With squatters and many untitled land

owners, it is imperative to address the land ownership issues. The benefits of land tenure are key to the utilization and development of the land for productivity purposes. As such, thorough adjudication, survey and mapping efforts ought to be undertaken. The county government targets to improve the land tenure system and increase the number of people with legal titles. So far, there has been 1500 allotment letters issued to squatters and an additional 1500 allotment letters will be issued across 3 trading centers in the financial year 2019/20. This will further be finessed by creating an online land valuation roll that will detail the titles and ownership details of all the land available, making it easy to transact land issues across the county; an undertaking that will be made possible through the use of ICT and other crucial data management infrastructure. So far, a physical land valuation roll (maps and register) has been done and is out for public inspection before launching. With security of tenure, citizens can partake long term investments on their land parcels, in terms of crop production infrastructure like green house, irrigation pipes etc., and livestock production efforts such as ranches and milk cooling and processing plants. This will undoubtedly spur economic production boosting prosperity.

57. In addition to this, the county government is focused on alleviating the squatter problem by settling them in settlement schemes. So far, this initiative has yielded fruit and there has been several settlement schemes done. With a secure land and place to call home, the residents can thus carry out long term land investments as well as add value to their land exploits. This intervention will not only expand the human capabilities, it will also bring dignity and leverage other socio-economic problems, and thus boosting the people centered development approach that the county planning is anchored on.

58. The county government aims at modernizing its urban centre plans and layout. This will be done through boosting its physical planning roles in these centers. So far, 15 urban areas have been planned but there is need to do more, more so with the upgrading of Kilifi and Malindi towns into urban centers. The exercise is guided by the Urban Areas and Cities Act, (2015), and will be based on green technology as well as modern trends in spatial planning and mapping. As such, the cities will have clear demarcations and provision of social amenities among other town necessities. The exercise has also been boosted by the World Bank Urban Support Program that will assist in the structural organization of the municipalities. As such, the county will budget for planning trading centers and development controls that aim at controlling construction to attain the desired city plan.

59. The county government plans to undertake a market study of the county housing estates to check on how the revenue streams in this area can be harnessed. The maintenance of these housing estates will also be done to increase their values and earn more revenues.

Moreover, the county aims at constructing a housing scheme to provide low cost, affordable housing units that will serve to address the housing needs in the urban centers. In this vein, there will be a market study conducted to assess the housing needs as well as the type of houses that ought to be done and the amount of units. The houses are meant to be low cost, social and affordable. This will be an important contributor into the government's Big 4 Agenda that focuses on housing as well as meeting the basic needs of the population and according them with dignity; part of the people focused development agenda. This programme will be undertaken through a land bank system where the county buys lands for house construction. Social housing will also be done on land in the social and settlement schemes.

The housing estates will be planned in line with green technology and modern construction technologies. Amenities such as water, electricity, sewerage system and other essential services will also be provided. The County intends to finance this through a mortgage scheme, making it affordable to the common mwananchi. The rents and rates to be collected from these amenities are a crucial source of the county own source revenue streams.

60. Similarly, the county government is also studying the need of office space for the county government offices. Therefore, the construction of the offices will be need based and aimed at addressing the shortfall. The construction and management will be based on green technology with a focus on environmental conservation and sustainability. There is also a keen focus on the rehabilitation of the Malindi Sub-County offices, to provide it with a facelift.

It is important to take cognizance of the fact that the utilization of land will be based on crucial enablers such as ICT and a comprehensive data bank. Therefore, a land management resource will be put in place and as such, embracing the county land management information system (CLMIS) and the land management information system (LMIS) is crucial to achieve this end. The 3<sup>rd</sup> phase of the Geographical Information System (GIS) laboratory is under construction and will help in the establishment of the land information online for easy access, manipulation and interpretation.

61. While this information is crucial, the county residents need to be well equipped with the knowledge about their land. As such, there will be a social responsibility aspect on the part of the



government to sensitize the population on a variety of land issues through land clinics across various sub counties and wards.

62. The county is also open to private investors to develop the land and offer ready housing options and alternative land use to the residents. A case in point is Vipingo Ridge that is opening up to investors and offering real estate solutions to the residents.

DRAFT FOR COMMENTS

## **CHAPTER 2: RECENT ECONOMIC DEVELOPMENTS AND STRUCTURAL REFORMS**

### **OVERVIEW**

63. National Economic performance has a direct impact on how the county performs in terms of both revenue allocation and utilization. Growth in the economy translates to more revenue collected hence higher allocations to the county governments. Similarly county government's prudent performance in implementation of projects and programmes has a direct impact on economic growth.

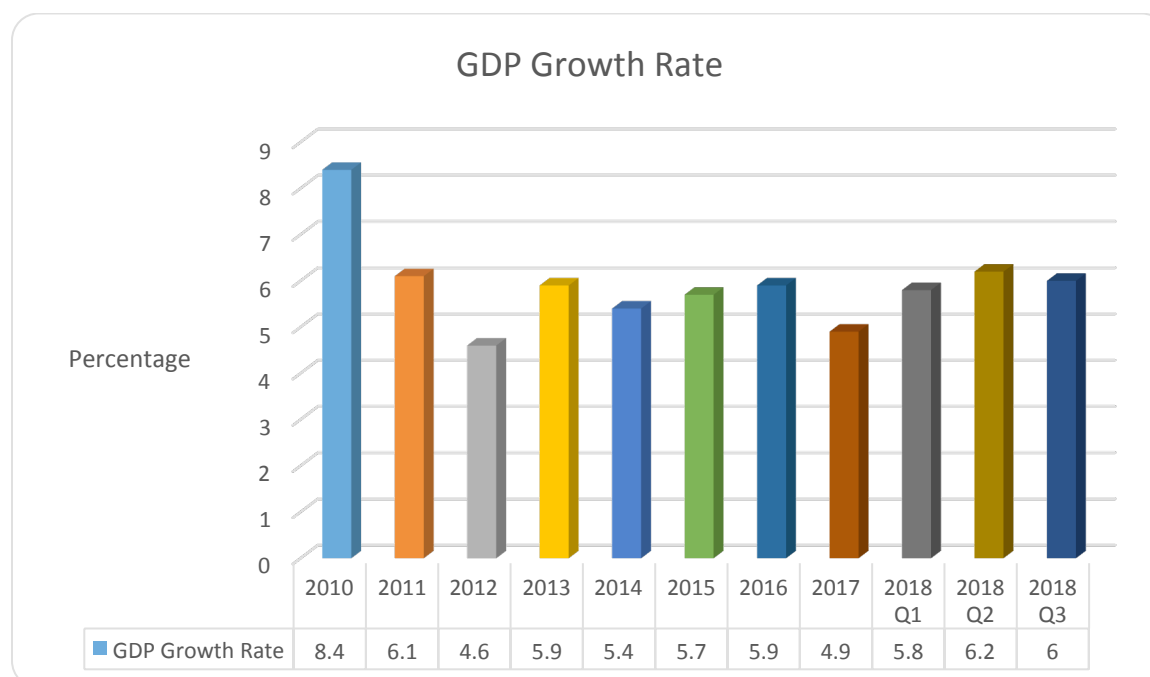
### **RECENT ECONOMIC DEVELOPMENTS**

#### **Gross Domestic Product**

64. Economic activities picked up in 2018 after the 2017 general elections. The economy grew by 5.8 percent, 6.2 percent and 6.0 percent in the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> quarter of the 2018 respectively up from 4.7 % in similar quarters in 2017. Growth for the first three quarters of 2018 averaged 6.0 percent and is projected to grow by 6.0 percent in 2018 up from 4.9 percent in 2017. This growth is supported by a strong rebound in agricultural output, steadily recovering industrial activity, and robust performance in the services sector.

65. Kenya's economic growth has remained strong and resilient even under emerging global challenges, supported by strong public and private sector investment and appropriate economic and financial policies. The broad-based economic growth has averaged 5.6 percent for the last five years outperforming the average growth rate of 4.7 percent in the period 2008 to 2012 and 4.6 percent in the period 2002 to 2007.

Figure 1: Trends in Kenya's Economic Growth Rates in Percentage



Source of Data: Kenya National Bureau of Statistics

### Real and Sectoral GDP Growth Rates

66. The rebound in economic activity in 2018 is a reflection of improved rains, better business sentiment and easing of political uncertainty. The economy grew by 6.0 percent in the third quarter of 2018 and 6.2 percent in the second quarter of 2018 up from 5.8 percent in the first quarter of 2018, averaging 6.0 percent in the first three quarters of 2018. Growth is projected at 6.0 percent in 2018 up from 4.9 percent in 2017, which is in line with the 2018 Budget Review and Outlook Paper (BROP) projection (Table 1.1).

67. In the third quarter of 2018, the economy grew by 6.0 percent compared to a growth of 4.7 percent in a similar quarter in 2017, mainly supported by improved weather conditions which led to increased agricultural production and agro processing activity in the manufacturing sector. In addition, this growth was supported by pickup in activities of accommodation and food services, electricity and water supply and construction sectors.

68. Agriculture sector recovered and recorded growth of 5.2 percent in the third quarter of 2018 compared to a growth of 3.7 percent in a similar quarter of 2017, supported by improved weather conditions. This enabled the agriculture sector to contribute 1.0 percentage points to

GDP growth in the third quarter of 2018 compared to 0.7 percentage points in the same period in 2017. The current recovery in the agriculture sector is broad-based and reflected in the expansion of output of key food and cash crops such as tea, coffee and fruits.

69. The Non-agricultural sector (service and industry) remained vibrant and grew by 5.8 percent in the third quarter of 2018 up from a growth of 5.1 percent in a similar quarter in 2017. It has the largest percentage points to real GDP growth at 4.0 percentage points mainly supported by the service sector.

70. Services remained the main source of growth and expanded by 5.9 percent in the third quarter of 2018 compared to a growth of 5.6 percent in the same quarter in 2017. The service sector was supported by improved growth in accommodation and restaurant (16.0 percent), wholesale and retail trade (6.8 percent), transport and storage (5.4 percent) and financial and insurance (2.6 percent). Growth of activities in information and communication (9.1 percent) and real estate (5.8 percent) remained vibrant despite the slowdown relative to the same quarter in 2017. Services contributed 3.1 percentage points to real GDP growth in the third quarter of 2018 largely supported by wholesale and retail trade (0.6 percentage points), Real Estate (0.5 percentage points) and Transport and storage (0.4 percentage points).

71. The performance of Industry improved to a growth of 5.1 percent in the third quarter of 2018 compared to a growth of 2.3 percent in the same quarter in 2017 following increased activities in the manufacturing, construction and electricity and water supply sectors. The recovery of the manufacturing sector was attributable to agro-processing activities that benefitted substantially from increased agricultural production.

72. Growth in the Electricity and Water supply remained vibrant driven by increased use of less input intensive sources of energy such as hydro generated electricity supported by sufficient rainfall and geothermal power generation coupled with a slowdown in growth of thermal generation.

73. The industry sector accounted for 0.9 percentage points to growth in the third quarter of 2018, largely driven by the construction and manufacturing sectors which contributed 0.4 percentage points and 0.3 percentage points, respectively.

2 Table 1.1: Sectoral Real GDP Growth Rates, Percent

	2013	2014	2015	2016	2017	2018 Q1	2018 Q2	2018 Q3
Primary Sector	5	4.8	5.6	4.9	1.8	5.3	5.3	5.4
Of which: Agriculture	5.4	4.4	5.3	4.7	1.6	5.3	5.4	5.2
Mining	-4.2	14.9	12.3	9.5	6.1	4.5	3.5	8.5
Industry	5.9	5.6	7	5.5	3.4	4.1	4.8	5.1
Of which: Manufacturing	5.6	2.5	3.6	2.7	0.2	2.3	3.1	3.2
Electricity and Water supply	6.6	6.1	8.5	8.3	5.6	5.1	8.6	8.5
Construction	6.1	13.1	13.8	9.8	8.6	7.2	6.1	6.8
Services	5.4	6.3	6.4	6.5	6.2	6.4	6.7	5.9
Of which: Wholesale and Retail trade	8.4	6.9	5.9	3.4	5.8	6.2	7.7	6.8
Accommodation and Restaurant	-4.6	-16.7	-1.3	13.3	14.7	13.5	15.7	16
Transport and storage	1.3	5.5	8	7.8	7.4	7.1	7.8	5.4
Information and Communication	12.5	14.5	7.4	9.7	11	12	12.6	9.1
Financial and Insurance	8.2	8.3	9.4	6.7	3.1	2.6	2.3	2.6
Real estate	4.1	5.6	7.2	8.8	6.1	6.8	6.6	5.8
GDP Growth	5.9	5.4	5.7	5.9	4.9	5.8	6.2	6
Of which: Non Agricultural GDP	5.4	6.1	6.4	6.4	5.9	6	6.3	5.8

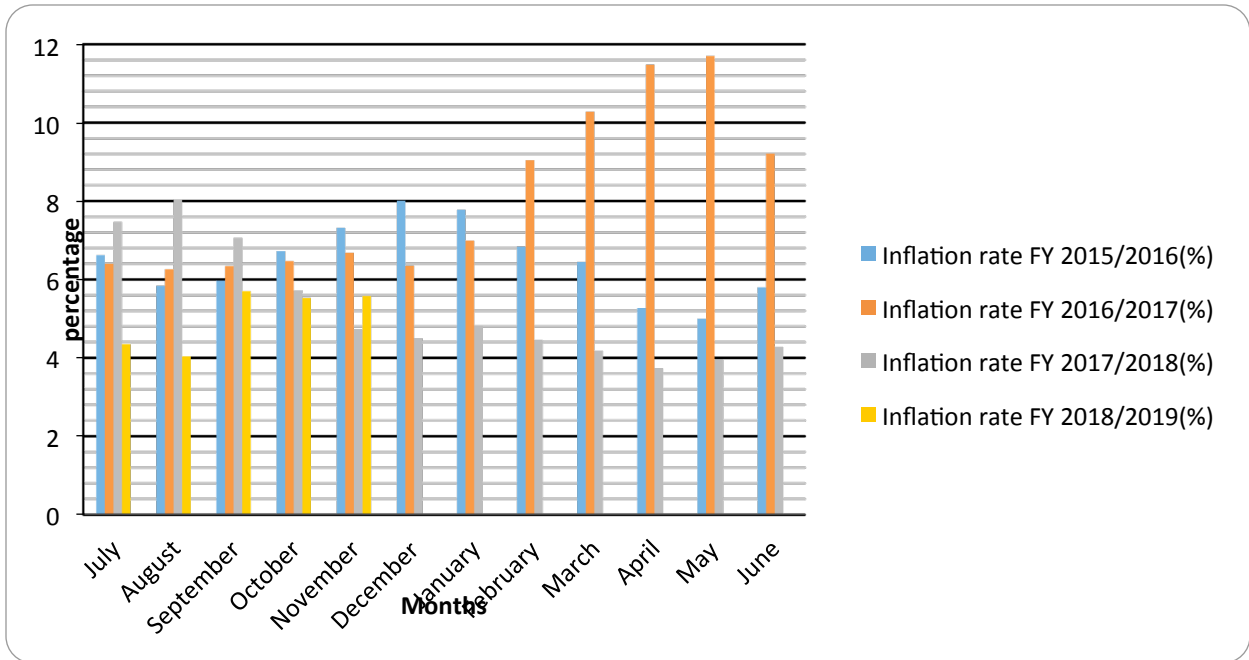
Source Data: Kenya National Bureau of Statistics

### Inflation Rates

74. Inflation has been low, stable and within the Government target range of 5+/-2.5 percent in the period 2015 to 2018 (averaging 6.4 percent) as a result of prudent monetary and fiscal policies (Figure 2). The inflationary pressure witnessed in 2017 due to drought that affected food prices eased in 2018 supported by improved weather conditions that resulted in lower food prices.

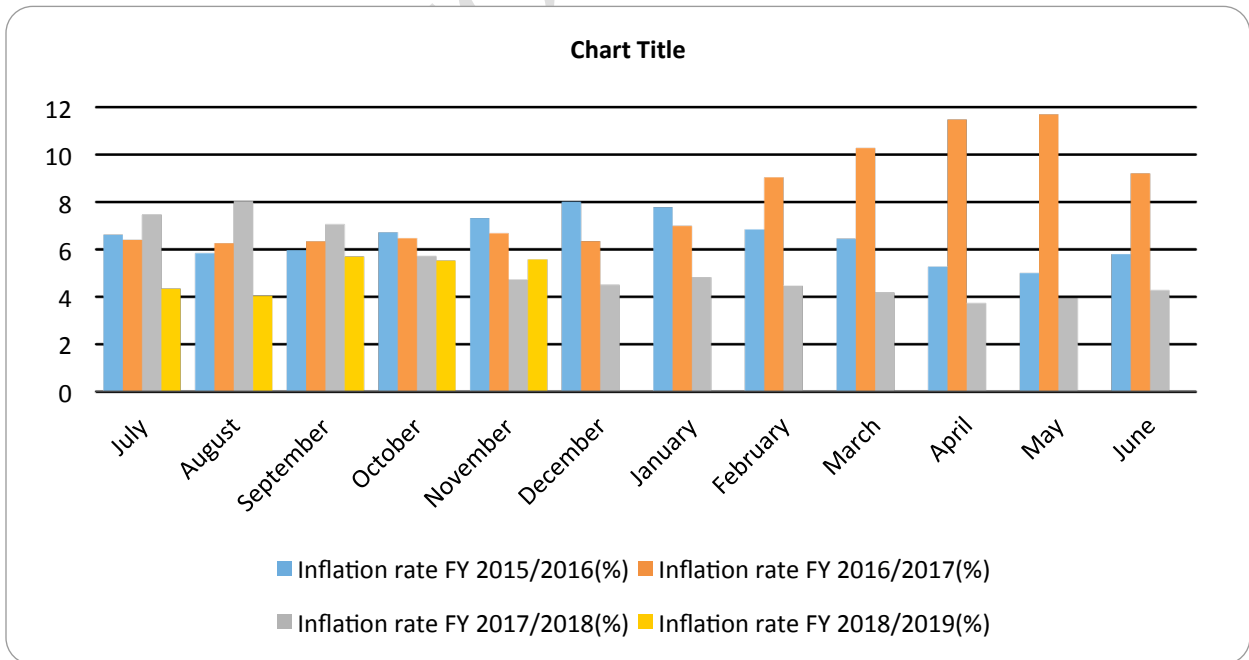
75. Month-on-month overall inflation remained stable and within target at 5.58 percent in November 2018 from 5.53 percent in October 2018, owing to a decline in food prices particularly maize, onions and tomatoes following improved weather conditions and a decline in energy prices following lower costs in prices of electricity and diesel.

Figure 2: Overall Inflation Rate (%), FY 2015/16 and FY 2017/18



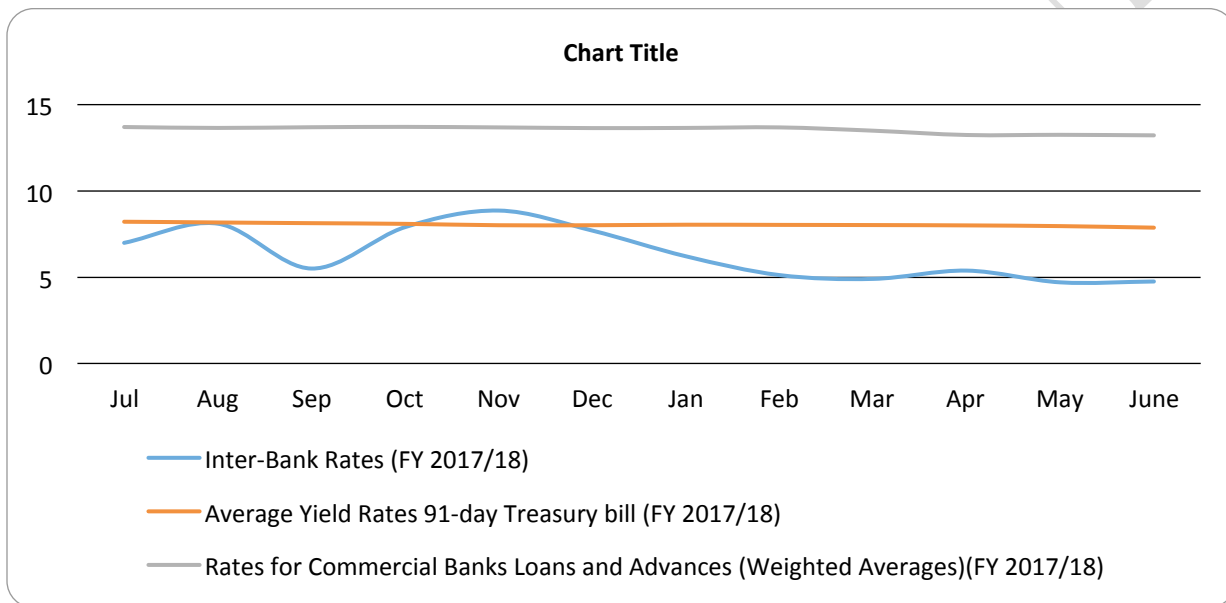
Source: Kenya National Bureau of Statistics

**Interest Rates**



76. The average yield rate for the 91-day Treasury bills, which is the benchmark for the general trend of interest rates, took a downward trajectory fluctuating from a range of 8.22 percent in July, 2017 to 7.87 percent in June 2018. The rates for commercial banks loans and advances recorded a high rate of 13.7113 percent and dipped to 13.22 percent in October 2017 and June 2018 respectively. This general downward trend is attributable to the interest rate cap on lending. Interbank rates in FY 2017/18 were fairly unstable and hit 8.86 percent in November 2017 and a low of 4.7 percent in May, 2018. Figure 3 below analyses the trends in these interest rates.

Figure 3: Analysis of Trends in Interest Rates (%), FY 2017/18



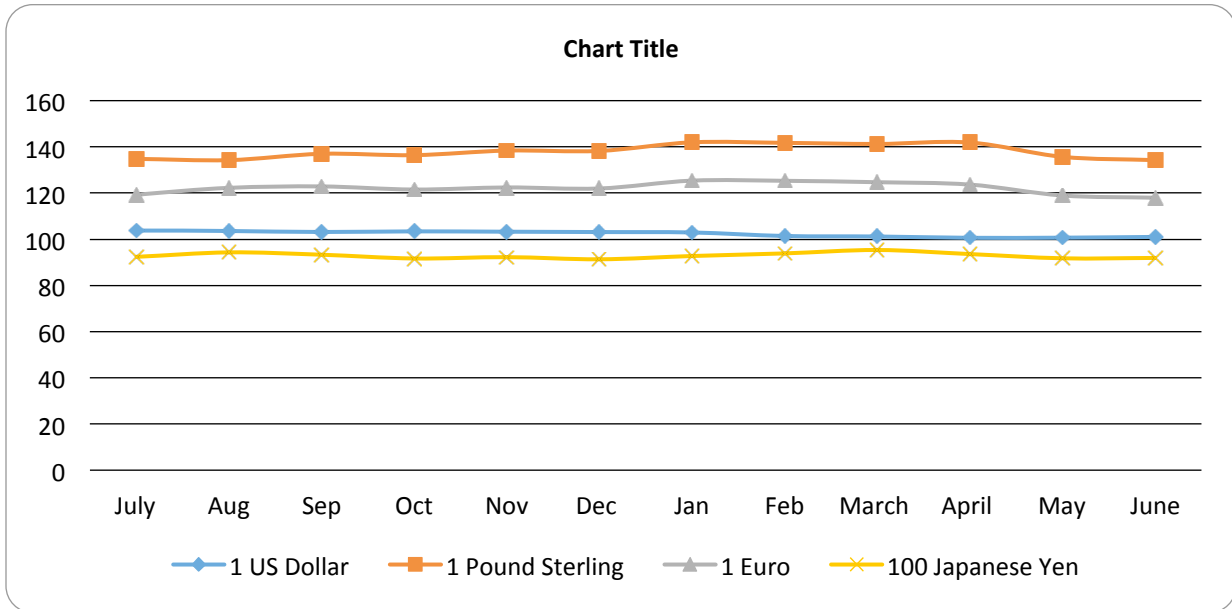
Source: Central Bank of Kenya

### Exchange Rates

77. The Kenya Shilling exchange rate remained broadly stable and competitive against major international currencies. Against the dollar, the exchange rate has been relatively less volatile exchanging at Ksh. 101 in June 2018 from Ksh. 103.88 in July 2017. Against the Euro and the Sterling pound, the Shilling also strengthened to Ksh. 117.97 and Ksh.134.24 in June 2018 from Ksh 119.4 and Ksh 134.86 in July 2017, respectively (Figure 4).

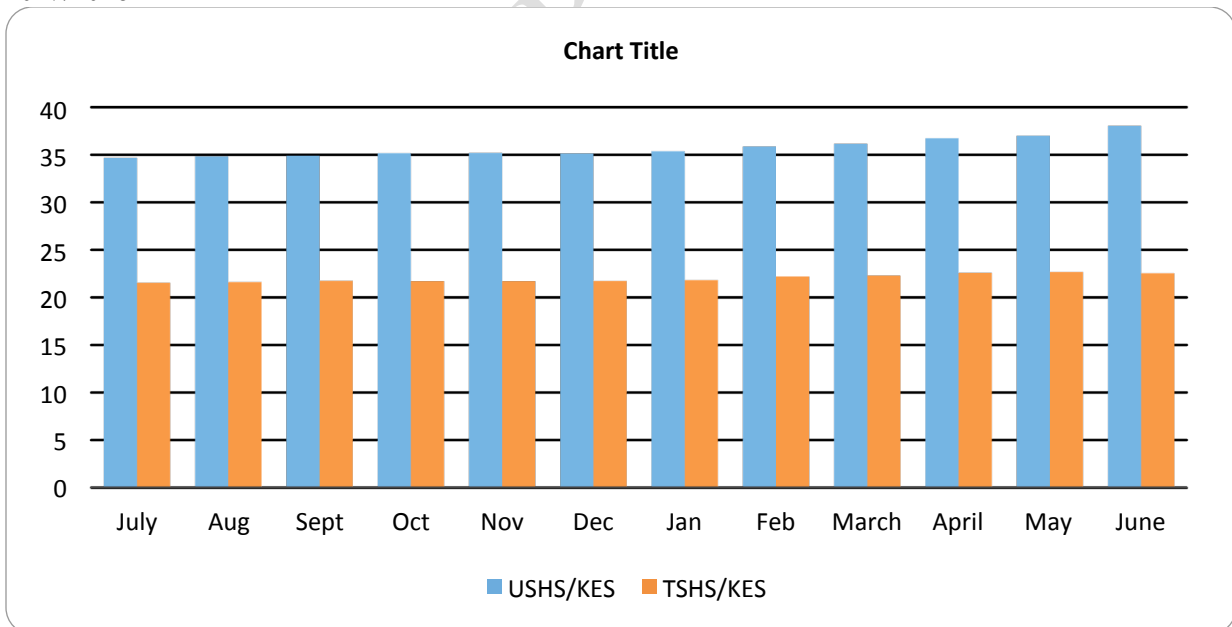
78. The Kenya Shilling exchange rate has continued to display relatively less volatility, compared to most local Currencies (Figure 5). This stability reflects strong inflows from tea and horticulture exports, resilient diaspora remittances and improved receipts from services particularly tourism.

Figure 4: End of Month Mean Exchange rate of Kenya Shillings against Major Selected Currencies, FY 2017/2018



Source of Data: Central Bank of Kenya

Figure 5: End of Month Mean Exchange rate of Kenya Shillings against Local Selected Currencies, FY 2017/2018



Source of Data: Central Bank of Kenya



### **3 CHAPTER 3: FISCAL POLICY AND BUDGET FRAMEWORK**

#### ***3.1 Prudent Fiscal Policy***

79. This 2019 County Fiscal Strategy Paper (CFSP) will continue to support the development agenda by putting more effort on the implementation of projects in the next County Integrated Development Plan 2018-2022, Annual Development Plan, 2018, and Sectoral (departmental) plans. The County Government has oriented expenditure towards priority programmes towards attaining the five point agenda for action while instilling fiscal discipline due to shrinking fiscal space. In this regard, departments are required to do more with less that is available through prioritization and directing spending towards most critical needs. There is also need for departments to achieve more outputs and outcomes with existing or lower level of resources and make realistic bids for resources.

#### ***3.2 Observing Fiscal Responsibility Principles***

80. The County government appreciates that implementation of the people-focused agenda affects the fiscal stance it takes. Therefore the county government will ensure strict adherence to the Fiscal Responsibility Principles under Section 107 of the PFM Act, 2012 and Regulation 25 of Public Finance Management (County Government) Regulations 2015 such that;

- i. Over the medium term a minimum of 30% of the county budget shall be allocated to development expenditure.
- ii. Expenditure on wages and benefits for public officers shall not exceed thirty five (35) percent of the county government's revenue as prescribed under Regulation 25(1) (b).
- iii. Over the medium term, the county government borrowing if any; shall be used only for the purposes of financing development expenditure and not for recurrent expenditure. It is the governments' policy to procure external financing only for development projects a practice which is in line with this principle.
- iv. County public debt obligations shall be maintained at sustainable level as approved by County Assembly and shall never exceed twenty (20) percent of the county government's total revenue at any one time in accordance to Regulation 25(1)(d).
- v. Ensure efficiency and improved productivity of expenditure while at the same time ensuring that adequate resources are available for operations and maintenance.

- vi. Increase the absorption of resources allocated for development purposes from the current levels to over 80 percent. This will give the envisaged impetus to economic development and further improve the credibility of our budget.

### **3.3 *Fiscal Structural Reforms***

81. Underpinning this 2019 CFSP is the effort to live within the County's means and meet own source revenue collection target. On the expenditure side, the county government will continue developing expenditure management systems aimed at improving efficiency and eliminate non-priority expenditure. Thus far, the County has fully operationalized modules of the Integrated Financial Management Information System (IFMIS) rolled out by the National Treasury. The County will also use the Hyperion Planning and Budgeting Module to prepare the Programme Based Budget once it is fully rolled out for county governments to use.

### **3.4 *2019/20 Budget Framework***

82. The Kilifi County FY 2019/20 budget framework corresponds with the limited fiscal space the County now faces. Spending will be rationalized to the extent possible by preserving priority capital expenditure and social sector spending and containing recurrent expenditures particularly personnel emolument.

83. The amount of equitable share due to the county is currently under review as the Commission for Revenue Allocation is still working and finalizing on the third revenue sharing formula. However, there are clear indication that the County's equitable share is shrinking in FY 2019/20 and the medium term. This is informed by the horizontal revenue sharing formula proposed by CRA.

**Table 2: 2019/20 Medium Term Sectoral Budget Allocation**

INDICATIVE SECTOR CEILINGS FY 2019/20-2021/22					
Sectors	Departments/Divisions		FY 2019/20	FY 2020/21	FY 2021/22
<b>Agriculture, Rural and Urban Development</b>		<b>Total</b>	<b>1,136,455,071</b>	<b>1,177,913,274</b>	<b>1,095,159,886</b>
	County Division for Agriculture	Recurrent	571,166,927	594,013,604	603,517,822
	County Division for Livestock	Development	465,288,144	483,899,670	491,642,064
	County Division for Fisheries	Strategic Interventions	100,000,000	100,000,000	
	County Division for Lands and Energy				
	County Division for Physical Planning, Urban Development & Housing				
<b>Environment Protection, Water and Natural Resources</b>		<b>Total</b>	<b>684,759,721</b>	<b>712,150,110</b>	<b>723,544,512</b>
	Water and Sanitation	Recurrent	296,651,033	308,517,074	313,453,348
	Environment, Natural Resources and Wildlife	Development	388,108,688	403,633,036	410,091,164
<b>Energy, Infrastructure and ICT</b>		<b>Total</b>	<b>660,819,577</b>	<b>687,252,360</b>	<b>702,000,398</b>
	Roads, Transport and Public Works	Recurrent	249,657,498	259,643,798	263,798,099
		Strategic Interventions	75,000,000	78,000,000	83,000,000
		Development	336,162,079	349,608,562	355,202,299
<b>Health</b>		<b>Total</b>	<b>2,914,249,194</b>	<b>3,059,961,654</b>	<b>3,121,160,887</b>
	Medical Services	Recurrent	2,357,125,160	2,474,981,418	2,524,481,046
	Public Health	Strategic Interventions	250,950,575	263,498,104	268,768,066
		Development	206,173,459	216,482,132	220,811,775
		Strategic Interventions	100,000,000	105,000,000	107,100,000
<b>Education</b>		<b>Total</b>	<b>1,282,150,733</b>	<b>1,315,436,762</b>	<b>1,359,283,751</b>
	County Division for Education	Recurrent	587,754,784	611,264,975	621,045,215
	County Division for ICT	Strategic Interventions	450,000,000	450,000,000	480,000,000
		Development	244,395,949	254,171,787	258,238,536
<b>General Economic and Commercial Affairs</b>		<b>Total</b>	<b>369,956,361</b>	<b>380,754,615</b>	<b>384,309,847</b>
	Trade and Tourism	Recurrent	119,821,457	124,614,315	126,608,144
	Cooperative Development	Development	150,134,904	156,140,300	157,701,703
		Strategic Interventions	100,000,000	100,000,000	100,000,000
<b>Social Protection, Culture and Recreation</b>		<b>Total</b>	<b>401,717,455</b>	<b>413,786,153</b>	<b>478,806,732</b>
	Gender, Culture, Social Services and Sports	Recurrent	121,379,932	126,235,129	128,254,891
		Development	180,337,523	187,551,024	190,551,840
		Strategic Interventions	100,000,000	100,000,000	160,000,000
<b>Public Relations and Intergovernmental Relations</b>		<b>Total</b>	<b>3,790,437,687</b>	<b>3,915,249,137</b>	<b>3,988,610,876</b>
	Devolution, Public Service and Disaster Management	Recurrent	1,996,025,328	2,075,866,341	2,109,080,203
	Finance	Strategic Interventions	600,000,000	624,000,000	633,984,000
	Economic Planning	Development	319,412,359	340,382,796	370,546,673
	Office of the Governor	Strategic Interventions	875,000,000	875,000,000	875,000,000
	County Attorney				
	County Assembly				
	County Public Service Board				
	<b>Gross Total</b>	<b>Total</b>	<b>11,240,545,799</b>	<b>11,662,504,066</b>	<b>11,852,876,888</b>
		Recurrent	6,299,582,119	6,575,136,655	6,690,238,768
		Strategic Interventions	1,375,950,575	1,415,498,104	1,465,752,066
		Development	2,290,013,105	2,391,869,307	2,454,786,054
		Strategic Interventions	1,275,000,000	1,280,000,000	1,242,100,000
		<b>Recurrent</b>	<b>68.28%</b>	<b>68.52%</b>	<b>68.81%</b>
		<b>Development</b>	<b>31.72%</b>	<b>31.48%</b>	<b>31.19%</b>

### **3.6 Revision of Ceilings:**

84. The projected ceiling for FY 2019/20 budget will be based on previous allocations and performances as well as the priority programmes that address the people-focused transformation agenda. In addition to this, the apportionment will be based on prioritization of department's needs according to the criteria below:

- i. Ongoing projects
- ii. Counterpart funds
- iii. Strategic policy interventions

85. The approved expenditure ceilings for each department disaggregated into recurrent and development will be provided at a later date as the County Treasury continues to firm up its consultations and other fiscal efforts to the same end.

DRAFT FOR COMMENTS

#### **4 CONCLUSION**

86. The CFSP 2019 aims at catalysing the revenue collection efforts of the county as well as undertaking contractionary expenditure goals, where there will be less for more.

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