REPUBLIC OF KENYA

COUNTY GOVERNMENT OF KILIFI

THE COUNTY TREASURY

2020 COUNTY FISCAL STRATEGY PAPER

SUSTAINABLE PEOPLE-FOCUSED TRANSFORMATIVE AGENDA FOR WEALTH CREATION

March 11, 2020

This 2020 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 519
KILIFI, KENYA

The document is also available on the website at: www.kilifi.go.ke

Table of Contents

CHAPTER 1: INTRODUCTION 4

Overview 4

Structure of the County Fiscal Strategy Paper 5

CHAPTER 2: SUSTAINABLE PEOPLE-FOCUSSED TRANSFORMATIVE AGENDA FOR WEALTH CREATION 7

Overview 7

Ensuring food self-sufficiency for all residents 9

Progressive provision of safe water for all residents 12

Promoting good performance and quality education 15

Ensuring accessible, equitable and quality healthcare services 19

Securing beneficial use of land, other natural resources and built environment 21

Developing competitive connectivity and transport infrastructure 23

Empowering community and cushioning vulnerable groups 24

CHAPTER 3: RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK OVERVIEW 25

Overview 25

Global and regional economic developments 25

Domestic Economic Developments 27

Economic Outlook 31

County's Fiscal Outlook 34

CHAPTER 4: FISCAL POLICY AND BUDGET FRAMEWORK 37

Prudent Fiscal Policy 37

Observing Fiscal Responsibility Principles 37

Fiscal Structural Reforms 38

FY 2020/21 Budget Framework 38

Indicative Budget Ceilings for the FY 2020/2021 Budget 42

CONCLUSION 44

CHAPTER 1: INTRODUCTION

Overview

1. The County Fiscal Strategy Paper (CFSP) sets out the broad strategic priorities and policy goals to guide the county government in preparing the budget for the coming financial year and the medium term. This foster understanding of the county's public finance management and sharpens the discourse on economic and development issues in the County. Comprehensively, the CFSP is viewed from its adherence to the statutory timelines, alignment to the national objectives in the Budget Policy Statement, fitness of the specified broad strategic priorities and policy goals to the financial, economic and development trajectory of the County, correspondence of the financial outlook in terms of revenues and expenditure allocation with the priorities identified and incorporation to the CFSP of the views sought from, among others, the Commission on Revenue Allocation (CRA), the public, any other interested persons or groups and the County Budget and Economic Forum (CBEF).

2. This 2020 CFSP is prepared with practical consideration and adherence to these requirements which are provided in Section 117 of the Public Finance Management Act, 2012 that;

(i) 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 2020.

(ii) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the 2020 Budget Policy Statement.

(iii) 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 FY2020/21-FY2022/23.

(iv) The County Treasury shall include in the 2020 CFSP the financial outlook with respect to county government revenues, expenditures and borrowing for the FY2020/21-FY2022/23.

(v) 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.

(vi) 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.

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

(viii) The County Treasury shall publish and publicise the 2020 CFSP within seven days after it has been submitted to the county assembly.

Structure of the County Fiscal Strategy Paper

3. In response to these statutory requirements, the 2020 CFSP is structured in a way that this introductory chapter asserts the relevance of the CFSP by providing an overview and statutory underpinnings that guide preparation and review of the paper. The broad strategic priorities and policy goals under the theme *"Sustainable People-Focused Transformative Agenda for Wealth Creation"* that inform FY2020/21-FY2022/23 budget are specified in chapter two. The macro-economic and financial performances and forecasts are presented in chapter three to contextualize what it will take to realize the specified priorities. This is followed, in chapter four, by how well the county complied

with principles of public finance and fiscal responsibility principles as it set the budget framework for FY2020/21-FY2022/23.

CHAPTER 2: SUSTAINABLE PEOPLE-FOCUSSED TRANSFORMATIVE AGENDA FOR WEALTH CREATION

Overview

4. The 2020 CFSP is premised on the people-focused transformative agenda initiated two previous financial years through the implementation of the County Integrated Development Plan (CIDP) 2018-2022. This agenda extends to the County the achievement of the economic and social pillars of Kenya Vision 2030 which are prioritized in the Third Medium Term Plan (MTP III) 2018-2022 which seeks to transform lives by advancing socio-economic development through the "Big Four" Plan. The implementation of the "Big Four" Plan is set to be accelerated in the 2020 Budget Policy Statement, through:

(i) Supporting value addition and raising the share of manufacturing sector to GDP

(ii) Enhancing food and nutrition security to all Kenyans

(iii) Providing universal health coverage to guarantee quality and affordable healthcare to all Kenyans

(iv) Provision of affordable and decent housing for all Kenyans

5. The above explanation serves to demonstrate that the alignment of the 2020 CFSP to the 2020 BPS is integral but the County goes ahead to pull out specific policies and programmes in the 2020 BPS that relate directly to the County's policy goals, which are:

(i) Ensuring food self-sufficiency,

(ii) Progressively providing safe water,

(iii) Promoting good performance and quality education,

(iv) Ensuring accessible, equitable and quality healthcare services,

(v) Securing beneficial use of land, other natural resources and built environment,

(vi) Developing competitive connectivity infrastructure, and

(vii) Empowering the community and cushioning vulnerable groups

6. The County's fiscal stance in the implementation of the people-focused transformative agenda is operationalizing all complete but not functional projects and completing and operationalizing on-going or stalled projects before new ones are started. This fiscal stance is consistent with the presidential directive of July 2018 to freeze new government projects until on-going projects are completed to avoid wastage of resources by abandoning incomplete projects and jumping onto others. With regard, to human capital and other operational cost plans, the County prioritized recruitment of critical staff such as medical staff for health facilities and caregivers for Early Childhood Education Centers (ECDEs) and provided essential supplies such as medical drugs and learning material to facilitate provision of services to residents.

7. The trade-off to this fiscal stance has been deferring implementation of new projects which were planned and budgeted for and could not take off within their respective financial year on account of delays in identifying contractors and service providers or issues related to where they will be located. This has not escaped discontent from political elites who have been eager, or otherwise, to be associated with these projects and the public for testing their patience to reap the benefits of these projects and devolution in general. In light of this discontent, this 2020 CFSP prioritizes the deferred projects for implementation subject to fresh appraisals being conducted to determine their viability.

8. In recognition that the county government does not have adequate funds to undertake the programmes and projects to achieve earmarked results for 2020 and beyond in the CIDP 2018-2022, this 2020 CFSP prioritizes building of partnerships between the county government, the private sector and non-governmental organizations to leverage on their motives for existence in a way that contributes to the policy goals and creates wealth for the County.

9. The fiscal stance, its discontent and efforts to build partnerships provide the context for specifying the broad strategic priorities to realize the County's policy goals as detailed in the sections that follow.

Ensuring food self-sufficiency for all residents

10. The county government's position that food self-sufficiency is a useful strategy to food security and nutrition places the County within the ambit of the "Big Four" Plan. That food self-sufficiency, which means meeting the consumption needs of staple food crop from own production rather than buying, is a necessary condition for achieving food security has been affirmed in the 2020 BPS overall strategy to reduce food insecure Kenyans by expanding large scale production of staples among other strategies. Kenya National Bureau of Statistics (KNBS) reported in the first publication of Gross County Product (GCP) in 2019 that Kilifi's share contribution to the Gross Domestic Product (GDP) from agriculture, forestry and fisheries was rivaled by Kwale County among the coastal counties. This shows that agriculture remains the key driver of growth in the County and therefore the need to direct more funds towards agriculture to enhance economic activity.

11. Thus, the county government will continue to deepen strategies towards expanding irrigation schemes, increasing access to agricultural inputs, extending credit facilities to farmers through the 'Mbegu Fund', promoting use of appropriate farming techniques, upgrading of livestock breeds, increasing fisheries production and promote the uptake of agricultural research and development findings and recommendations to boost household's involvement in agrarian production to attain food self-sufficiency and increase household's incomes. The County will encourage intensified production to leverage of households' mixed farming practice as depicted in the table below.

Table 2.1: Household Practice in Farming, Crop production, livestock production, aquaculture, fishing and irrigation

Description/ Households' Practice	Total	Farming	Crop Production	Livestock Production	Aquaculture	Fishing	Irrigation
County	**298,472**	**161,188**	**149,334**	**101,983**	**366**	**6,393**	**5,643**
Chonyi	11,421	10,025	9,838	5,153	14	30	68
Ganze	23,258	20,578	19,306	15,777	41	158	442
Kaloleni	36,355	22,504	21,295	14,519	34	54	254
Kauma	3,479	2,867	2,738	1,939	10	60	54
Kilifi North	39,512	18,690	17,085	12,011	30	1,021	386
Kilifi South	53,074	15,114	13,485	8,570	72	878	466
Magarini	33,017	25,989	24,929	15,959	75	1,884	856
Malindi	73,547	31,072	27,424	19,363	63	2,176	2,942
Rabai	24,809	14,349	13,234	8,692	27	132	175

Source: 2019 Kenya Population and Housing Census Vol. IV

12. The county government prepared and adopted a crop production master plan that seeks to incentivize farmers to increase acreage under cultivation for increased production of staples, promote crop diversification and production of cash crops to boost farmer’s income. Under this master plan, the County continues to organize farmers into cooperatives or groups in the provision of agricultural support services to increase adoption of technological traits that improve production and productivity. As such, the use of certified seeds and fertilizers which is known to increase crop yields, enhance disease tolerance and drought resistance will continue to be promoted through provision of certified seeds and fertilizers to small holder farmers who are organized in cooperatives or groups. The organization of farmers into cooperatives or groups will also improve the reach of extension services to production units which are relied upon by farmers in the management of farms, handling of harvest, value-addition and marketing. The private sector will find farmers’ cooperatives or groups as providing useful linkages, both backward and forward, for commercialization of agricultural input or output. Agro-processors will be encouraged to enter contract farming with farmers’ cooperatives or groups thereby improve crop price through collective bargaining while they harness economies of scale in crop production.

13. Irrigated farming will be promoted in the County by encouraging small holder farmers to train and adopt modern irrigation techniques that are suitable for the small land parcels and are cost effective.

14. On livestock production, the county government opens to private sector involvement in the establishment of a tannery for value-addition on hides and skins considering improved inspection of hides and skins for quality control and assurance. The county government will also continue with the programme of upgrading livestock breeds, make advancements in establishing livestock disease free zones and strategic feed reserves to improve availability of fodder in arid and semi-arid areas of the County during dry periods and even drought. In regard to dairy farming, the County will continue to capacity build the households on appropriate farming techniques by promoting upgrading to exotic breeds and reducing milk losses using milk coolers that will be availed to every ward on a need basis in partnership with the national government. The County recorded 4,905 households rearing exotic dairy cattle during the 2019 Kenya Population and Housing Census. This is expected to increase with the County's programme of providing dairy cattle to groups. Over the medium term, the County is pursuing private sector involvement with a view to setting up a dairy factory which will create employment to the youth as well as increase farmers' income.

15. Fish still finds place on the plate of residents of Kilifi because of divisibility of big fish into portions and availability of smaller fish that are affordable and can be stretched to feed more people than the smallest units of, say, beef or chicken. Thus, the County prioritizes increasing fish production for self-sufficiency as well as food security and nutrition. This priority is pursued through providing advanced infrastructure in fishing, enhancing value addition of fish and fish products, development of new products like crab harvesting and exploitation of byproducts that can be used to produce energy thereby reducing household's cost of acquiring energy. The 2020 BPS report that fish production has more than doubled only six months into the operations of the Kenya Coast Guard Service at the Liwatoni Fishing Complex spells good tidings for the County's fisherfolk. This is coupled with the fish landing sites at Kichwa cha Kati and Ngomeni and the fish

market in Malindi that are being constructed by the national government. To deepen these initiatives by the national government, the county government is constructing a boat building factory which will produce tailor made boats of fiber boards for use by local fishermen and is increasing the number of bigger vessels in order to enhance continuation of fish harvesting during rainy and windy seasons which is not possible when using small fishing vessels. To further augment these efforts, the county government has been restocking fishponds with fish brooders and fingerlings in order to promote culture fish harvest which is slowly gaining traction apart from the County's proximity to the Indian Ocean. The County also prides in the set-up of the first crab hatchery out grower farm at Che Shalle near Ngomeni, which will be probably one of the largest blue economy projects in East Africa. Currently the project is at an advanced stage and is set to create jobs for thousands of residents in the County.

Progressive provision of safe water for all residents

16. Progressive provision of safe water that is accessible to all residents in adequate quantity and quality at an affordable price brings home the achievement of the social pillar in Kenya Vision 2030 as prioritized under the Environment, Water, Sanitation and Regional Development Sector in MTP III. This linkage of the County's policy goals with the MTP III signify alignment of the 2020 CFSP to the 2020 BPS that accelerates implementation of the "Big Four" Plan. The pursuit of this policy goal is also informed by the frequency of severe water scarcity especially during prolonged dry spells in the County. Propounding the need for the pursuit of this policy goal is rapid population growth with above national average population density of 116 persons per square kilometer against 82 nationally as reported in the 2019 Kenya Population and Housing Census. This tends to overstretch access to adequate quantities of piped water whose supply is relatively skewed to areas with dense water infrastructure network especially rapidly urbanizing areas and major tourist destinations in the County.

Table 1.2: Main Source of Drinking Water in Kilifi County, 2019 (Percentage Distribution of Conventional Household)

Description/Main Source of Drinking Water	Public Tap/ Standpipe	Piped to Yard/Plot	Piped into Dwelling	Borehole/ Tubewell	Dams/Lakes
County	**36**	**13.2**	**10.2**	**4**	**6.8**
Chonyi	56.5	11.8	2.6	0.1	2.2
Ganze	34.7	9.4	3.5	0.3	19.4
Kaloleni	18.3	8.2	7.9	0.8	26.1
Kauma	72.4	10.7	3.2	0.3	4.1
Kilifi North	45	18.8	13.4	4.6	0
Kilifi South	34.9	9.3	6.7	9.5	0.5
Magarini	23.1	2	1.1	5.7	10.9
Malindi	40.3	20.3	20.2	3.8	0.4
Rabai	40.3	18.2	9.1	0.5	7.4

Source: 2019 Kenya Population and Housing Census Vol. IV

17. The County remains committed to increasing access to safe water by households through extension of pipelines, drilling of boreholes and shallow wells, and construction of dams and water pans. The boreholes will be solar powered, thus allowing the County to comply with green technology as well as climate change mainstreaming initiatives. The above measures will be compounded by promoting rainwater harvesting and storage initiatives demonstrated by constructing rainwater catchment tanks in school buildings together with tree planting and conservation to improve the County's tree cover hence improve precipitation.

18. To address the issue of disparities in tariffs charged on water by Malindi Water and Sewerage Company (MAWASCO) and Kilifi and Mariakani Water and Sewerage Company (KIMAWASCO), the county government is working on a merger with a view to reduce costs and other operational inefficiencies. These include delays in payments of electricity bills that exacerbate water shortages occasioned by disconnection of electricity at Baricho. This new move is undergoing water stakeholders' engagement before it is completed and adopted for implementation.

19. The provision of sewage services to households in urban areas, particularly within Kilifi and Malindi Municipalities will be pursued with utmost urgency in partnership with

the private sector to forestall continued contamination of underground water with Escheriria coli which originates from human and animal waste. On-site management of effluent allows recycling and reuse of water, removal of pharmaceuticals and pathogens, as well as protecting existing water sources such as boreholes, shallow wells, dams and water pans which provide the only realistic water supply option for meeting dispersed rural demand. The decency is sanitation services will also be extended to the by promoting adoption of 'a toilet per home' strategy, thus preventing the spread of water borne diseases by improving the mode of human waste disposal in the County.

Table 2.3: Mode of Human Waste Disposal in the County, (Percentage Distribution by Households)

Description/Mode of Human waste Disposal	Septic Tank	Pit Latrine Covered	Open/Bush	Main Sewer
County Level	**18.7**	**40.1**	**17.0**	**2.4**
Chonyi	0.9	74.3	6.1	0.1
Ganze	2.6	36.3	44.5	0.1
Kaloleni	13.6	53.6	12.2	2.4
Kauma	1.1	39.1	42.2	0.1
Kilifi North	23.2	41.6	9.8	2.3
Kilifi South	20.9	46.8	4.5	2.4
Magarini	6.3	27.9	43.6	0.9
Malindi	34.0	23.6	15.7	4.4
Rabai	11.5	55.9	5.8	1.9

Source: 2019 Kenya Population and Housing Census Vol. IV

20. Solid waste management for municipalities and upcoming towns remains a major priority for a sustainable clean environment in the County. As such, the measures to allow for a sustainable approach of dealing with waste products pre and post disposal and collection entail comprehensive awareness programs on waste segregation across the County to allow for categorization of the waste, for easy recycling. The County will also capacity build women and youth groups involved in waste collection and disposal to do so sustainably in a bid to conserve the environment while providing employment opportunities for wealth creation.

Promoting good performance and quality education

21. According to 2019 Kenya Population and Housing Census, the County recorded mixed results with regards to good performance and quality education as detailed in the table below.

Table 2.4: School Attendance in Kilifi County, 2019

Description	National Level	County Level	Sub-County Level								
			Chonyi	Ganze	Kaloleni	Kauma	Kilifi North	Kilifi South	Magarini	Malindi	Rabai
Total Population	**43,739,906**	**1,323,664**	**57,246**	**131,101**	**176,734**	**20,821**	**162,990**	**187,663**	**174,553**	**301,205**	**111,351**
At school/Learning Institution	**17,780,277**	**605,776**	**28,875**	**67,193**	**80,964**	**10,969**	**72,834**	**76,984**	**86,722**	**132,098**	**49,137**
Male	9,040,318	308,926	14,936	34,222	41,402	5,659	36,930	39,007	44,425	67,256	25,089
Female	8,739,524	308,926	13,938	32,969	39,559	5,310	35,902	37,977	42,297	64,841	24,048
Per cent (Total Population)	40.7%	45.8%	50.4%	51.3%	45.8%	52.7%	44.7%	41.0%	49.7%	43.9%	44.1%
Never Been to School/Learning Institution	**7,120,543**	**250,280**	**12,060**	**35,066**	**40,720**	**4,517**	**23,855**	**26,646**	**39,884**	**46,878**	**20,654**
Male	3,223,856	82,303	3,509	11,272	13,331	1,421	7,498	9,225	13,822	15,451	6,774
Female	3,896,417	167,972	8,551	23,793	27,388	3,096	16,357	17,421	26,062	31,424	13,880
Per cent (Total Population)	16.3%	18.9%	21.1%	26.7%	23.0%	21.7%	14.6%	14.2%	22.8%	15.6%	18.5%
Pre-Primary	**3,275,028**	**132,702**	**6,082**	**14,694**	**17,657**	**2,196**	**17,073**	**17,932**	**17,604**	**29,960**	**9,504**
Male	1,670,583	67,709	3,144	7,461	9,080	1,114	8,728	9,231	8,886	15,157	4,908
Female	1,604,360	64,991	2,938	7,233	8,575	1,082	8,345	8,701	8,718	14,803	4,596
Per cent (Total Population)	7.5%	10.0%	10.6%	11.2%	10.0%	10.5%	10.5%	9.6%	10.1%	9.9%	8.5%
Primary	**10,028,470**	**373,857**	**18,035**	**43,773**	**51,727**	**7,104**	**41,645**	**44,868**	**56,983**	**78,388**	**31,334**
Male	5,091,778	189,306	9,219	22,188	26,262	3,553	20,935	22,518	28,769	39,925	15,937
Female	4,936,452	184,545	8,815	21,583	25,464	3,551	20,709	22,350	28,214	38,462	15,397
Per cent (Total Population)	22.9%	28.2%	31.5%	33.4%	29.3%	34.1%	25.6%	23.9%	32.6%	26.0%	28.1%
Secondary	**3,403,657**	**83,181**	**4,326**	**7,789**	**9,803**	**1,543**	**10,609**	**11,404**	**10,939**	**19,619**	**7,149**
Male	1,713,909	43,798	2,328	4,059	5,160	916	5,542	5,918	6,070	10,134	3,671
Female	1,689,689	39,382	1,998	3,730	4,643	627	5,066	5,486	4,869	9,485	3,478
Per cent (Total Population)	7.8%	6.3%	7.6%	5.9%	5.5%	7.4%	6.5%	6.1%	6.3%	6.5%	6.4%
Middle Level/Technical Secondary and Vocational Training (TVET)	**506,109**	**8,537**	**251**	**489**	**1,026**	**72**	**1,693**	**1,519**	**620**	**2,183**	**684**
Male	243,740	3,913	128	250	486	39	723	672	322	994	299
Female	262,351	4,624	123	239	540	33	970	847	298	1,189	385
Per cent (Total Population)	1.2%	0.6%	0.4%	0.4%	0.6%	0.3%	1.0%	0.8%	0.4%	0.7%	0.6%
University	**470,983**	**5,166**	**107**	**210**	**426**	**26**	**1,607**	**979**	**239**	**1,254**	**318**
Male	268,755	3,003	72	149	254	21	891	526	176	723	191
Female	202,204	2,163	35	61	172	5	716	453	63	531	127

Per cent (Total Population)	1.1%	0.4%	0.2%	0.2%	0.2%	0.1%	1.0%	0.5%	0.1%	0.4%	0.3%

Source: 2019 Kenya Population and Housing Census Vol. IV

22. The County's population that is at school/learning institution is above the national level at 45.8 percent against 40.7 percent. This impressive indicator is dimmed by that of the population that has never been to school/learning institution which is 18.9 percent against 16.3 percent at the national level. However, on account of devolving pre-primary education, the County has 10.0 percent of the population attending pre-primary education which is above 7.5 percent nationally. In addition, the County has extended financial support to secondary school learners towards seamless transition from primary to secondary school which has contributed towards having 6.3 percent of the County's population in secondary school much as more needs to be done, especially in Ganze and Kaloleni sub-counties.

23. Significant milestones have been registered which include employment of 989 ECD caregivers, construction of 777 ECD classrooms and the ECD Teacher Training College at Fumbini. It is expected that these measures will improve the physical and academic environments thereby contribute to improved enrolment for the ECD population cohort which lags the other population cohorts knowing that they have to be at school/learning institution as shown below.

Table 2.5: School Attendance by Age and Sex in the County, 2019

	County's Population (2019)			At School/Learning Institution			Per Cent (Total at school/Learning Institution)
Special Age Groups	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	
Population	**1,323,664**	**636,891**	**686,754**	**605,776**	**308,926**	**296,841**	**45.8%**
3-5	126,430	63,506	62,923	74,467	36,629	37,837	58.9%
4-5	85,491	43,101	42,389	62,064	30,760	31,303	72.6%
6-13	328,848	164,769	164,072	311,570	155,860	155,705	94.7%
14-17	144,986	73,000	71,983	133,019	67,451	65,565	91.7%
18-22	146,905	71,639	75,263	68,786	38,854	29,932	46.8%
23+	576,479	263,973	312,502	17,934	10,132	7,802	3.1%

Source: 2019 Kenya Population and Housing Census Vol. IV

24. To further improve physical environment at ECDE centers, the county government will also engage stakeholders for partnership in infrastructure development, provision of teaching/learning material, and teachers' training on new curriculum.

25. The Kilifi County government has taken a giant step towards eradicating illiteracy in the County by partnering with the United Kingdom (UK) not-for-profit organization – Universal Learning Solutions – and educational publisher – Jolly Learning Ltd – to train government school teachers in the fast-track English literacy method – Jolly Phonics. With Jolly Phonics the pupils are first taught the 42 letter sounds of English at a fast pace. At the same time, they are taught how to 'blend' those sounds together to read and write words by segmenting the words into its sounds, and correctly form the letters for those sounds. Following a successful pilot project in 2017 and 2018, which saw pupils reading ages increasing by up to two years and two months in comparison to nine months in control schools, the project has now been rolled out to all public pre-primary schools in Kilifi County and has seen similarly spectacular results. These results highlight the significant potential for Jolly Phonics to transform literacy levels in Kenya and place Kilifi County at the very forefront of the fight against illiteracy, not only in Kenya but across East Africa.

26. On technical and Vocational Training Centers (VTCs); a total of 96 classrooms (VTCs) have been constructed while 21 of them are still ongoing and tools and equipment provided. Renovations for 4 Youth Polytechnics were done to completion. Boards of Governors were established and 33 instructors employed on permanent and pensionable terms in all the public VTCs.

27. The County records a high school dropout rate, underperformance of candidates at the end of secondary and primary school education as well as graduates that are ill equipped for the job market or self-employment. However, vocational and technical training institutions in the County are inadequate and lack the essential facilities and technology to prepare trainees for the challenging market demands. The County government will therefore ensure that adequate resources are given to these institutions to enable the young people acquire relevant skills. Blue Economy trade lines as well as

cottage skills will be part of the diversified programs rolled out at the VTCs. In addition to this, the County aims to partner the modern community colleges in Kenya with local industries to ensure skill utilization post-graduation through job opportunities and or seed capital.

28. With regards to youth talent search, the County government will develop Talent Search Academies which will provide youth with the opportunity to discover their talents.

29. To enhance the capacity of the Ward Scholarship Fund to administer loans to university and college students, the Fund will partner with Higher Education Loans Board (HELB) to make the County Scholarship Fund a revolving fund as the beneficiaries will be mandated to repay the monies upon graduation. The Ward Scholarship Fund remains the most reliable tool and widely appreciated response offered by the County to relieve the economic burden for education on households. The County Government coordinates the process of applications, vetting of applicants, and identification of beneficiaries and disbursement of funds in a manner that ensures utmost transparency.

30. In terms of sustainability in the education sector, the county will enhance the role of education and learning for equitable, efficient and sustainable utilization of the county's resources. The county aims at promoting education through diverse learning and public awareness for improved quality of life and productive livelihoods. The county will also promote teaching and learning that inculcates appropriate values, behaviors and lifestyles for good governance and sustainability.

31. The County will engage the private sector to maximize the potential for expanding equitable access to schooling and for improving learning outcomes. Private involvement in education can help to increase the level of financial resources committed to the sector and supplement the limited capacity of government institutions to absorb growing demand. There is also increasing evidence to suggest that the private sector is well equipped to meet the growing differentiated demands of specific groups, for example, religious ones – even when the county provides sufficient places in public schools and universities.

Ensuring accessible, equitable and quality healthcare services

32. The county government remains committed to providing accessible, equitable and quality health care services to the population of 1,453,787 underscoring its contribution towards universal health coverage in the country. In terms of accessibility, the County serves approximately 10,000 persons in every two (2) health facilities due to improvement in the number of public health facilities consisting one (1) referral hospital, four (4) sub-county hospitals, fifteen (15) health centers and one hundred twenty two (122) dispensaries. Further, the County is completing one of the flagship projects; Kilifi County Hospital Complex, which will significantly contribute to improved access to quality referral and curative health services. On primary healthcare, the county government has 87 functional community units against a target of 309 community units is expected to serve a population of 5,000.

33. On human resource, the County employed a total of 184 new health workers in Financial Year 2018/19. Nurses made the highest number of new employees at 75%. The total staffing during that financial year was 1377. The County has 110 doctors, 775 nurses, 22 pharmacists as well as 1945 community health workers, this gives a ratio of doctor to patient at 1: 10,000 and that of nurse to patient at 5: 10,000. According to the WHO, the recommended ratio of doctor to patient is 1: 1,000 and that of nurse to patient is 83: 10,000 This shows that the health department does not meet the standard of Universal Health Coverage. In this case more health workers should be employed.

34. A high-quality health service involves the right care, at the right time, responding to the service users' needs and preferences while minimizing harm and resource waste. Offering high-quality health services also means linking financial reforms and reorientation of delivery model to goals on quality care. The County Government role in this is empowering residents to actively engage in care to optimize their health status and informing their right to have access to care that meets achievable standards of quality.

35. To ensure delivery of quality health care county government will:

(i) Promote provision of primary health care

(ii) Develop financing mechanism that support continuous quality improvements

Provision of Quality Primary Health Care

36. The Government of Kenya aims at attaining Universal Health Care; which guarantees quality and affordable healthcare to all Kenyans as well as eliminates out of pocket expenditure. The fourth schedule of the Constitution of Kenya list primary healthcare provision as one of the devolved functions to County Governments. Primary health care is a whole-of-society approach to health and well-being centered on the needs and preferences of individuals, families and communities. Therefore, a strong primary health care is essential in achieving the health-related Sustainable Development Goals (SDGs) as well as universal health coverage. In achieving this, other goals beyond the health goal (SDG3), including those on poverty, hunger, education, gender equality, clean water and sanitation, work and economic growth, reducing inequality and climate action are simultaneously achieved.

37. The County Government aims to improve and sustainably provide primary health care by equipping the Level 1 health facilities with both non pharmaceuticals and pharmaceutical requirements. To cater for human resource element, the County Government will train and equip the Community Health Volunteers/Workers (CHVs) with necessary information, skills and knowledge to handle infections and diseases in the homes. This will have taken care of the preventive aspect of health care delivery.

38. This calls for a multisectoral collaboration and to this end, the County is deliberate in attracting the private sector, government agencies as well as donor community in harnessing the potential of the CHVs to deliver the basic health care services thus reducing the congestion in health facilities.

Develop Financing Mechanism That Support Continuous Quality Improvements

39. The County Government seeks to develop its health financing system to provide financial protection and achieve Universal Health Coverage (UHC), in line with the national government's "Big Four" Plan. UHC is defined as the access to key promotive, preventive, curative and rehabilitative health interventions of good quality at an affordable cost.

40. While health care financing remains a challenge, most of the population are enrolled onto the NHIF program which is mostly insufficient to cater for the health needs in case of hospitalization. There is thus an urgent need to model a health care financing system that curbs the increasing out of pocket expenditures on patients.

41. By collaborating with the private sector and NGOs, households can be enrolled on a localized insurance scheme for which they pay a premium every month. With this in place, they can access treatment for free across the sub county health centers and allow the smooth operationalization of the CHVs to take care of the less serious cases.

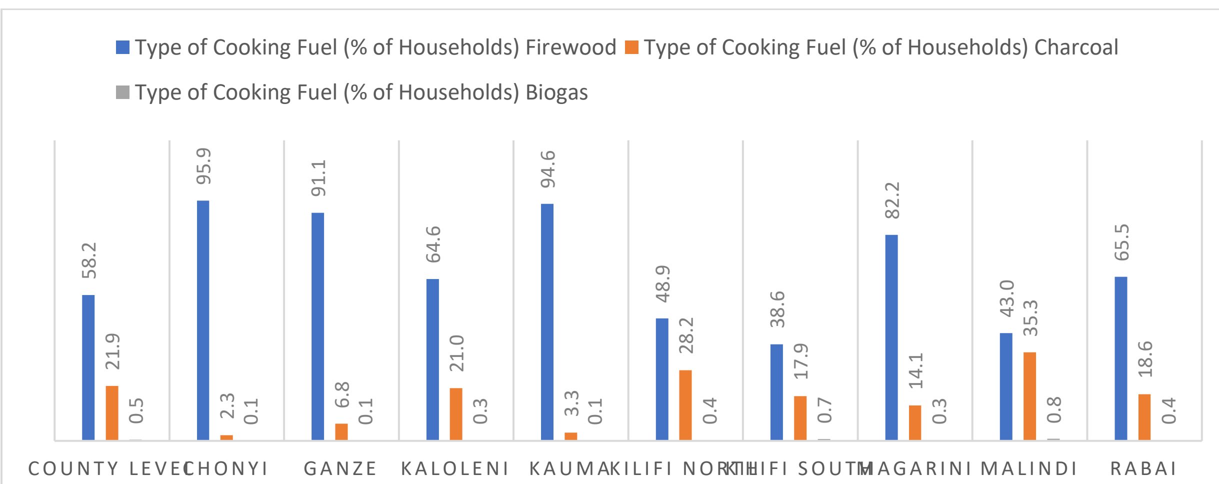
Securing beneficial use of land, other natural resources and built environment

42. The county government is committed to securing beneficial use of land, other natural resources and built environment in response to tenurial tensions emanating from undesirable, often unintended, outcomes of land control and ownership policies, laws and practices. These tensions often result to idle land parcels, underutilization of land and mushrooming of informal settlements in the County. This happens amidst growing demands on land due to its relevance in production when combined with capital and labor. Of the 298,472 households in the County, 154,803 and 4,076 derive their livelihoods on land-based activities that is, subsistence and commercial agriculture respectively. Hence, the need to manage use of land in a way that avails the highest utility to the residents forms the basis upon which the county government will pursue land potential optimization through land use planning and resource mapping.

43. The County will continue upgrading informal settlements and where possible mitigate their development by opening access roads on surveyed settlement schemes. Measures will also be put in place to sustainable planning of urban areas and develop them into engines for economic development. This includes continued investment in Kilifi and Malindi Municipality which are now functional devolved entities and key drivers for sustainable urbanization in line with the New Urban Agenda.

44. The county will also invest in promoting appropriate building technology and eco-friendly building materials while ensuring energy efficiency and conservation in buildings. The measures put in place aim to respond to the continued depletion of tree cover especially coconut trees. Coconut palms are used for makuti thatching and constitute 20.0 percent of roofing material after iron sheets at 71.6 percent. There is a growing concern that indiscriminate felling of coconut trees for raising roofing structure to lay iron sheets or poles for raising walls is becoming unsustainable with only 15.9 percent of the households growing coconut trees in the County. The depletion of tree cover is compounded by the dominant use of firewood and charcoal fuel whose use stands at 58.2 percent and 21.9 percent of conventional household in the County respectively (see figure below). Charcoal production was banned in 2017 to give room for rehabilitation of forest and tree cover but the continued use of charcoal calls for measures to produce charcoal more efficiently and effectively. Therefore, the county government will continue investing in efficient wood-charcoal conversion technologies such as charcoal briquetting kilns.

Figure 2.1: Type of Cooking Fuel (% of Conventional Households in the County, 2019)



Source: Kenya Population and Housing Census, 2019, Vol. IV

45. The County's mains electricity use for lighting dominates at 38.5 percent of the households followed by paraffin tin lamp at 26.7 percent and solar at 20.0 percent (see table below). This indicates the potential for growth of adoption of renewable energy

technology for lighting to which the county is committed to promote by installation of solar streetlights and solar high mast lights at trading centers. These measures also promote trade.

Table 2.6: Type of Lighting Fuel (% of Households, 2019)

Description	Type of Lighting Fuel (% of Households)		
	Electricity	Paraffin Tin Lamp	Solar
National Level	50.4	9.6	19.3
County Level	38.5	26.7	20
Chonyi	14.2	56.5	18.9
Ganze	5.5	24.7	38.5
Kaloleni	31.8	32.9	21
Kauma	6.6	45.8	33.8
Kilifi North	45	22	20.7
Kilifi South	59.9	22	8.7
Magarini	13.9	31.7	32.2
Malindi	50.4	18.4	17.1
Rabai	35.8	38.3	14.7

Source: Kenya Population and Housing Census, 2019 Vol. IV.

Developing competitive connectivity and transport infrastructure

46. Connectivity and transport infrastructure lay the foundation upon which the County's transformative agenda for wealth creation is built. Information on ownership and usage of selected ICT devises and services portray the County is below national level on key indicators. The County has 39.4 percent of the population owning mobile phones against 47.3 percent nationally, 15.1 percent use internet against 25.1 nationally and 6.6 percent use a desktop, laptop or tablet against 10.4 percent nationally. This demonstrates the immense potential that can be harnessed by the private sector in terms of connectivity, penetration and usage of ICT devices and services. The county government welcomes such investments which will leverage on efforts already put in place to invest in equipping Vocational Training Centers with ICT equipment to produce competitive graduates with high end skills to match the dynamics in this field. In addition, the county government has automated revenue collection and made transaction cashless and continues to automate service delivery with a view to improve efficiency. Automation of

revenue collection has helped in sealing revenue loopholes by instilling accountability and transparency when handling County's resources.

47. The county's transport infrastructure is nascent and vulnerable to the vagaries of weather especially storm water that frequently washes away sections of weathered roads and render them unmotorable. In this regard, the county government has continually attended to such mishaps with a view to make these roads motorable for the better part of the year. The county government also continues to open access roads, grading and murraming and upgrading others to bitumen or cabro standard in order to enhance movement of persons, goods and services.

Empowering community and cushioning vulnerable groups

48. The county's attention has been drawn to communal disorders that drain efforts towards achieving the transformative agenda. The County recognizes efforts by non-state actors towards addressing these disorders but has had to spring into action when these disorders erupt as they often do. These being social issues, they are sometimes difficult to detect, they erupt with no warning and take more time to be resolved. Initiatives to empower the community easily focus on the economic triggers of these disorders neglecting the latent social norms whose disturbance breeds the root causes for these disorders. In this regard, the county has taken a lead role in addressing these communal disorders such as the killing and maiming of the elderly presumed to be witches, teenage pregnancies and gender-based violence.

CHAPTER 3: RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK OVERVIEW

Overview

49. The Kenyan economy remains resilient and grew by an average of 5.5 percent in the first three quarters of 2019, mostly supported by strong performance in the services sector. Growth momentum is expected to pick up to 5.6 percent in 2019, 6.1 percent in 2020 and further to 7.0 percent over the medium term supported by a strong rebound in the agricultural output, steady recovery in industrial activities, robust performance in the services sector, and investments in strategic areas under the "Big Four" Plan.

50. The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate to support exports. At 5.8 percent in December 2019, year-on-year overall inflation remained stable and within the 5 (+/-2.5) percent target largely due to lower food prices following favorable weather conditions. Inflation is expected to remain within target in 2020, largely due to lower energy prices and expected stability in food prices.

51. The foreign exchange market remains stable supported by the narrowing of the current account deficit. The current account deficit is estimated at 4.3 percent of GDP in 2019 down from 5.0 percent in 2018. The narrowing deficit reflects strong growth in diaspora remittances and tourism receipts, higher tea and horticultural exports, slower growth in imports due to lower food imports and the decline in international oil prices.

Global and regional economic developments

52. Global growth is projected to pick up to 3.4 percent in 2020 from an estimated 3.0 percent growth in 2019. The projected pick up is on account of recoveries in stressed emerging markets and macroeconomic policy support in major economies.

53. In advanced economies, growth is expected to slow down to 1.7 percent in 2020 from an estimated 2.3 percent in 2018 mainly due to trade tensions between the United States of America (U.S.A) and China, uncertainties surrounding the Brexit outcome, rising

global oil prices due to tensions between U.S.A and Iran, and the pace of normalization of monetary policy in the advanced economies.

54. Among emerging markets and developing economies, growth is expected to pick up to 4.6 percent in 2020 from an estimated 3.9 percent in 2019 reflecting recoveries in stressed economies such as Turkey, Argentina and Iran as well pickup in growth for Brazil, Mexico, India, Russia and Saudi Arabia which recorded significant slowdowns in 2019 relative to 2018.

55. Growth prospects for sub-Saharan Africa continue to strengthen. Growth is projected to improve to 3.6 percent in 2020 from 3.2 percent in 2018 and 2019, supported by higher commodity prices, improved capital market access and contained fiscal imbalances in many countries.

56. Growth in the East African Community (EAC) region is estimated to improve to 6.0 percent in 2020 from 5.6 percent in 2019 mostly supported by the stable macroeconomic environment, rebound in agricultural activities on the backdrop of favorable weather conditions, ongoing infrastructure investments, and strong private consumption.

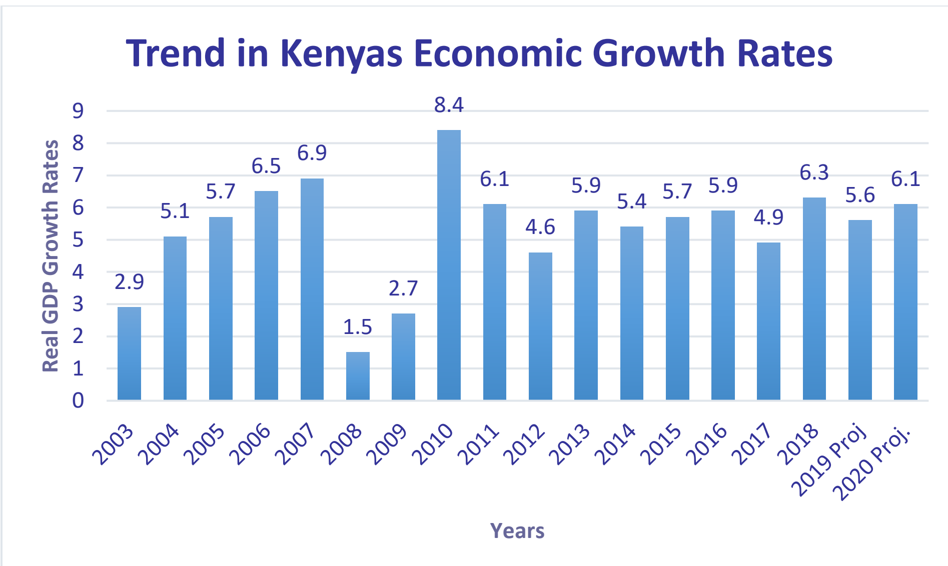
Table 3.1: Global economic growth in percentage

Region/Country	**Actual**	**Estimated**	**Projected**
	2018	**2019**	**2020**
World	3.6	3.0	3.4
Advanced Economies of which	2.3	1.7	1.7
USA	2.9	2.4	2.1
Emerging and Developing economies of which	4.5	3.9	4.6
China	6.6	6.1	5.8
India	6.8	6.1	7.0
Sub-Saharan Africa	3.2	3.2	3.6
Of which South Africa	0.8	0.7	1.1
Nigeria	1.9	2.3	2.5
EAC 5 countries	6.5	5.6	6.0
Of which Kenya	6.3	5.6	6.1

Domestic Economic Developments

57. 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 5.7 percent for the last six years (2013 to 2018) outperforming the average growth rate of 4.7 percent in the period 2008 to 2012 and 5.4 percent in the period 2003 to 2007. Growth is estimated at 5.6 percent in 2019 and projected to recover to 6.1 percent in 2020

Chart 3.1: Trend in Kenya's Economic Growth Rates



Per Capita Income

58. Per capita income rose from Ksh 113,539 in 2013 to an estimated Ksh 202,859 in 2019, a 79 percent increase. This enabled generation of around 831,000 new jobs per year in the period 2013 - 2018 up from 656,500 new jobs per year in the period 2008 - 2012

Agricultural sector

59. A resilient non-agricultural sector continues to support economic growth. The economy grew by an average of 5.5 percent in the first three quarters of 2019 and the full year growth is estimated at 5.6 percent in 2019 down from 6.3 percent in 2018.

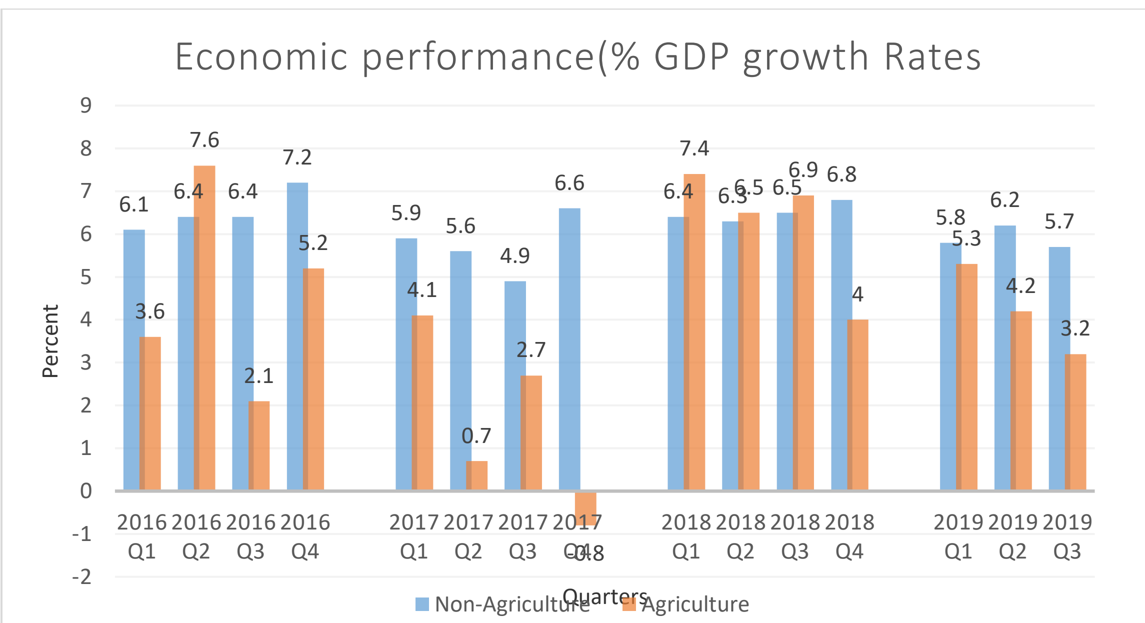
60. In the third quarter of 2019, the economy grew by 5.1 percent compared to a growth of 6.4 percent in a similar quarter in 2018, mainly supported by strong performance in the services sub-sector such as information and communication, transportation and storage, and accommodation and restaurant.

61. The agriculture sector recorded a decreased growth of 3.2 percent in the third quarter of 2019 compared to a growth of 6.9 percent in a similar quarter of 2018, as a result of delayed long rains. Consequently, the sector's contribution to GDP growth declined to 0.6 percent in the third quarter of 2019 compared to 1.3 percent in the same period in 2018.

Non-Agricultural Sector

62. The non-agricultural sector (service and industry) remained vibrant and grew by 5.7 percent in the third quarter of 2019 down from a growth of 6.5 percent in a similar quarter in 2018. It has the largest percentage points contribution to real GDP growth at 4.0 in the third quarter of 2019, mainly supported by the services sector

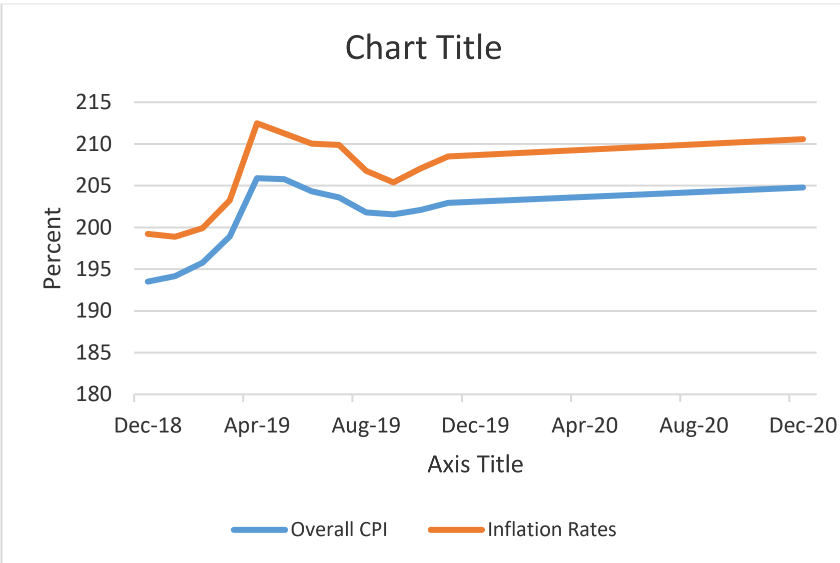
Chart 3.2: Economic Performance (Percent Growth Rates)



Inflation Rate

63. Year-on-year overall inflation remained low, stable and within the Government target range of 5+/-2.5 percent in December 2019 at 5.8 percent up from 5.7 percent in December 2018 reflecting higher food prices.

Chart 3.3: Inflation Rate



Source: Kenya National Bureau of Statistics

64. Core inflation (Non-Food-Non-Fuel) remained below 5.0 percent in the period under review reflecting subdued demand pressures in the economy. Fuel inflation declined from 6.9 percent in December 2018 to 2.5 percent in December 2019 on account of declining energy prices

Table 3.2: Components of Inflation

Month	Food	Fuel	Core
December 2018	2.6	6.9	4.0
January 2019	1.8	12.1	3.4
February 2019	1.3	11.4	3.2
March 2019	2.9	8.8	3.1
April 2019	7.7	7.5	3.1
May 2019	6.0	6.8	3.0
June 2019	6.6	6.5	2.9
July 2019	7.9	6.3	2.7
August 2019	6.7	4.2	2.3

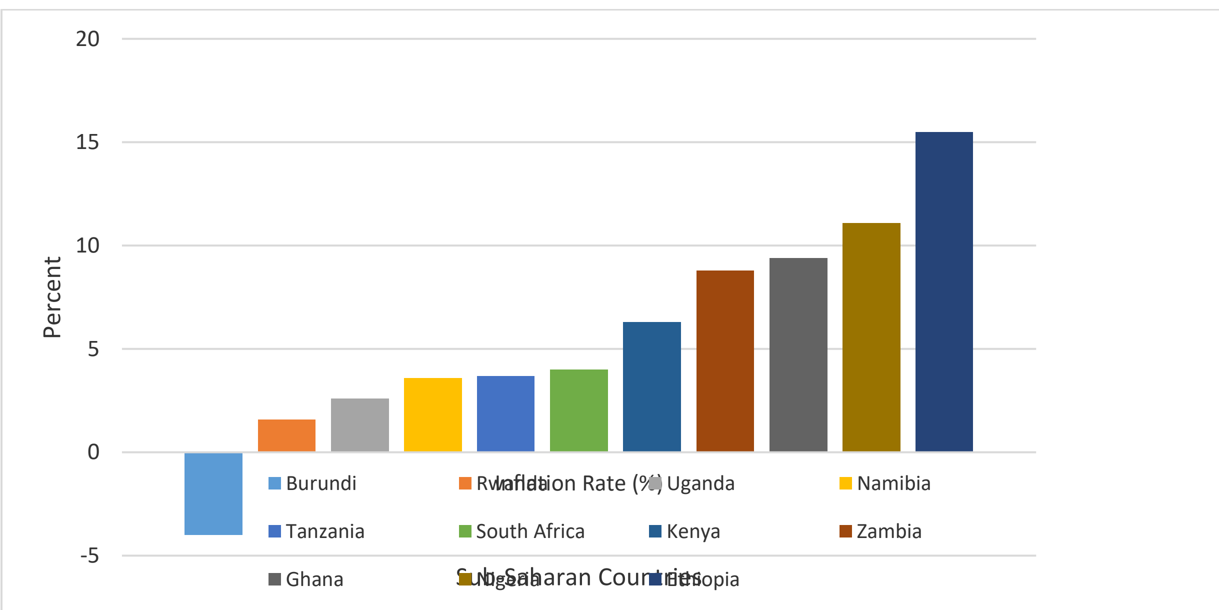
Month	Food	Fuel	Core
September 2019	5.9	1.3	2.1
October 2019	8.1	1.5	1.9
November 2019	8.9	2.3	1.8
December 2019	9.3	2.5	1.7

65. The delay in the onset of rains resulted in lower agricultural activities and raised food inflation from March 2019. Food inflation increased from 2.6 percent in December 2018 to 9.3 percent in December 2019 reflecting rising prices of key food items.

66. The contribution of core inflation to overall inflation has been low and stable reflecting muted demand pressures in the economy on account of prudent monetary policies. The major driver of overall inflation from December 2018 to March 2019 was fuel inflation. However, beginning March 2019 food inflation has been the major driver of inflation.

67. Kenya's rate of inflation compares favorably with the rest of Sub-Saharan African countries and its peers such as Nigeria and Ghana whose inflation rates were 11.9 percent and 8.2 percent, respectively in November 2019 (Chart 1.3d).

Chart 3.4: Annual Inflation Rates in selected African Countries (September 2019)



Kenya Shilling Exchange Rate

68. The Kenya Shilling has been relatively stable supported by continued narrowing of the current account deficit and adequate foreign reserve buffer. The Shilling appreciated against the US Dollar and the Euro exchanging at an average of Ksh 101.4 and Ksh 112.7 in December 2019 from Ksh 102.3 and Ksh 116.4 in December 2018, respectively. However, against the Sterling Pound, the Shilling weakened exchanging at an average of Ksh 133.0 in December 2019 compared to Kshs 129.7 in December 2018.

Interest Rates

69. Interest rates were low and stable for the period 2008 to 2011 due to ample liquidity in the money market. However, interest rates increased in 2012 following tight monetary policy stance in order to ease inflationary pressures. Interest rates remained stable and low in the period 2013 to October 2019, except from June to December 2015 when world currencies were under pressure. During the period, the Central Bank Rate (CBR) was adjusted appropriately to anchor inflation expectations. The Central Bank Rate was reduced to 8.5 percent on 25th November 2019 from 9.0 percent in August 2018 as there was room for easing monetary policy stance to support economic activity

70. The interbank rate declined to 5.9 percent in December 2019 from 8.2 percent in December 2018 due to enhanced liquidity in the money market. The interest rates for government securities have been declining indicating that the implementation of government domestic borrowing program supported market stability. The 91-day Treasury bills rate declined to 7.2 percent in December 2019 compared to 7.3 percent in December 2018. The 182-day Treasury bills rate declined to 8.2 percent from 8.4 percent while 364-day increased to 9.8 percent from 9.7 percent.

Economic Outlook

Global Growth Outlook

71. Owing to weaker trade and investment at the start of the year, global economic growth is expected at 3.4 percent in 2019 from a projection of 3.0 percent in 2019 down

from 3.6 percent in 2018. The sluggish growth reflects the continued global trade sanctions between the U.S.A and China, subdued investment and demand for consumer durables in emerging markets and developing economies, rising energy prices and the continued Brexit-related uncertainties.

72. As a result of the weaker prospects in the United States as its fiscal stimulus fades and the forthcoming increase in the consumption tax rate in Japan, growth in the advanced economies is expected to ease to 1.7 percent in 2020 from 2.3 percent in 2018.

73. Growth in the emerging markets and developing economies is expected to pick up to t4.6 percent in 2020, from an estimated growth of 3.9 in 2019. Similarly, the sub-Saharan Africa region is expected to remain relatively robust growing by 3.6 percent in 2020 from 3.2 percent in 2019.

Domestic Growth Outlook

74. On the domestic scene, despite the challenging global environment, Kenya's economy has remained strong and resilient. The economy expanded by 6.3 percent in 2018 up from the 4.9 percent growth registered in 2017. The growth momentum continued in the first three quarters of 2019, with the economy expanding by an average of 5.4 percent. The latest economic indicators in the third quarter of 2019 point to continued economic recovery that will culminate to an overall projected growth of about 5.9 percent in the FY 2019/20. Economic growth is further projected to rise to 6.2 percent in the FY 2020/21 and 6.9 percent by FY 2023/24.

75. The growth outlook for the FY 2019/20 and the medium term is supported by a stable macroeconomic environment, investments in the strategic areas under the "Big Four" Plan and their enablers, and existing business and consumer confidence in the economy. Further, the ongoing public investments in infrastructure projects, growth in tourism, resilient exports and the associated benefits from regional economic integration in the sub region will reinforce the projected growth. The economic growth projections over the medium term are aligned to those of the MTP III

Risks to the Economic Outlook

76. The macroeconomic outlook is faced with risks from both external and domestic sources. Risks from global economies relate to increased volatility in the global financial markets due to tensions between the U.S.A and China, the slower growth of the Chinese economy, uncertainties over the nature and timing of Brexit and the pace of normalization of monetary policy in the advanced economies. Further, the uncertainty of trade agreements such as between the United Kingdom and the European Union, the free trade area encompassing Canada, Mexico, and the U.S.A as well as uneven and sluggish growth in advanced and emerging market economies could hamper the forecasted growth. The low commodity prices and the risk of energy prices taking an upward trend, if the rising geopolitical tensions are not subdued, could negatively impact on our exports.

77. Domestically, the economy will continue to be exposed to risks arising from public expenditure pressures, particularly related to wage related recurrent expenditures and the inevitable climate change and variability which has enhanced the frequency of disaster such as landslides, droughts and destruction of physical infrastructure. Locust invasion witnessed in the country in late 2019 and early 2020 poses a risk to agricultural production and food security. These shocks are likely to have negative impact on energy generation and agricultural output leading to higher inflation that could slow down economic growth.

Mitigating the Risks

78. The Government continually monitors these risks to inform appropriate mitigating monetary and fiscal policy measures to preserve macroeconomic stability and strengthen resilience in the economy. To cushion the country against the downsides of the risks emanating from the global sphere, the Government is deepening reforms in the financial sector to ensure a stable and strong financial system in Kenya. The Government is also safeguarding macroeconomic stability through prudent fiscal and monetary policies. In particular, the Government continues to accumulate foreign exchange reserves to deal

with any external shocks. Additionally, the diversified nature of our economy continues to offer resilience to the global challenges.

79. To protect the country from climate related risks and disasters, the Government has put in place various policies, strategies and financial risk protection instruments to cushion the economy against budget disturbances emanating from the need to address the unforeseen natural disaster. In particular, the Government has put in place a Disaster Risk Financing Strategy which outlines various financial protection instruments in the economy in the event of a disaster.

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

County's Fiscal Outlook

81. Implementation of FY 2019/20 started on a slow pace on account of disputes on the equitable share of revenue to county governments. When a resolution was arrived at, the county government revised the approved estimates for FY 2019/20 to provide for the additional equitable share of revenue from national government, unspent revenue from FY 2018/19 and pending bills for goods and services provided, works done as well as allocate more funds for ongoing projects.

82. Own Source Revenue collection also started on a low but increased by 9.0 percent in the half year of FY 2019/20 compared with FY 2018/19. The county government will

intensify enforcement of applicable measures to ensure the target for FY 2019/20 is achieved but will also be cautious and conservative when projecting own source revenue for the coming year. The conservative own source revenue estimation trend is evident in the table below which also provides an analysis of revenue performance to indicate the areas of intervention by the county government towards achieving the target for FY 2019/20.

Table 3.3: Own Source Revenue Collection by Class, FY 2019/20

REVENUE CLASS	Approved Estimates FY 2018/29	Half Year FY 2018/19	Approved Estimates FY 2019/20	Actual Amount Half Year 2019/20	Performance (% (+/-))
HSIF	158,287,692	41,669,786	132,000,000	83,772,970	50.3%
Land Rates and other Land Revenue	338,355,777	35,586,101	337,710,413	39,407,311	9.7%
Cess on natural resources	379,803,743	104,604,494	339,932,316	99,168,251	-5.5%
Business Permit	188,023,235	6,301,195	88,732,482	6,503,612	3.1%
Parking fees	47,797,124	16,266,586	50,008,379	10,304,619	-57.9%
Market fees	31,477,932	5,435,028	16,569,337	5,372,437	-1.2%
Billboards & Signage	47,827,529	4,051,304	26,370,253	4,944,123	18.1%
Building Plan approval and Inspection	5,680,382	1,893,700	9,242,007	2,375,173	20.3%
Rent/Stall rents	14,222,944	1,645,850	5,874,241	2,932,350	43.9%
Survey fees and plot rents	4,670,509	500,000	3,102,184	511,450	2.2%
Sale of Tender Documents	61,647	1,000	-	-	
Plot ground rent	6,857,069	3,374,977	9,908,832	2,483,615	-35.9%
House rent	100,816,543	30,519,081	15,000,000	18,358,790	-66.2%
Refuse Collection	1,355,696	474,900	6,343,947	490,125	3.1%
Food Hygiene Fees	1,821,792	341,600	15,118,139	372,300	8.2%
Slaughter House and Livestock sale Yards	1,993,703	559,209	3,539,470	661,115	15.4%
Others	70,946,686	9,030,955	40,548,000	10,450,605	13.6%
TOTAL	**1,400,000,000**	**262,255,766**	**1,100,000,000**	**288,108,846**	**9.0%**

83. On the expenditure side, the County's absorption rate was 19.6 percent in the half year of FY 2019/20. It is expected that the revision of the budget to provide for pending bills and ongoing projects will unlock this. The table below provides the expenditure analysis for half year FY 2019/20 according to economic classification.

Table 3.4: Expenditure Analysis According to Economic Classification, Half Year FY 2019/20

	RECURRENT EXPENDITURE			DEVELOPMENT EXPENDITURE			TOTAL			
Department/Division	Printed Estimates	Revised Estimates	Cumulative Expenditure	Printed Estimates	Revised Estimates	Cumulative Expenditure	Printed Estimates	Revised Estimates	Cumulative Expenditure	Overall Absorption
County Assembly	798,455,640	803,455,640	-	200,000,000	200,000,000	-	998,455,640	1,003,455,640	265,136,516	**26.4%**
Office of the Governor	278,938,877	357,879,649	116,874,029	-	-	-	278,938,877	357,879,649	116,874,029	**32.7%**
County Attorney	92,575,000	102,575,000	54,070,459	-	-	-	92,575,000	102,575,000	54,070,459	**52.7%**
Finance	474,428,769	544,106,446	61,717,911	1,500,516,666	6,000,000		1,974,945,435	550,106,446	61,717,911	**11.2%**
Economic planning	53,456,532	91,956,532	2,869,846	-	-	-	53,456,532	91,956,532	2,869,846	**3.1%**
Agriculture	305,773,597	307,752,392	23,168,989	104,550,000	522,930,436	-	410,323,597	830,682,828	23,168,989	**2.8%**
Livestock	20,815,764	21,415,764	7,638,877	100,000,000	145,746,689	-	120,815,764	167,162,453	7,638,877	**4.6%**
Fisheries	21,009,180	21,009,180	3,819,058	88,500,000	117,431,030	2,020,000	109,509,180	138,440,210	5,839,058	**4.2%**
Water and Sanitation	166,905,360	231,930,095	74,362,212	423,300,000	1,122,098,708	19,355,940	590,205,360	1,354,028,804	93,718,152	**6.9%**
Environment, Natural Resources and Wildlife	40,290,702	60,290,702	16,928,600	500,000	1,800,000		40,790,702	62,090,702	16,928,600	**27.3%**
Education	839,889,501	930,054,977	325,442,036	316,763,298	560,420,839	22,770,518	1,156,652,799	1,490,475,816	348,212,554	**23.4%**
Information, Communication and Technology	11,226,139	69,826,139	244,600	-	-	-	11,226,139	69,826,139	244,600	**0.4%**
Medical Services	2,379,235,431	2,553,123,063	1,052,756,643	662,984,758	930,666,654	82,392,361	3,042,220,189	3,483,789,717	1,135,149,004	**32.6%**
Public Health	355,298,457	601,624,896	124,049,805	49,700,000	64,000,000	-	404,998,457	665,624,896	124,049,805	**18.6%**
Roads, Transport and Public Works	305,168,574	341,588,322	60,449,641	1,069,024,063	1,336,477,382	179,683,182	1,374,192,637	1,678,065,704	240,132,822	**14.3%**
Lands and Energy	114,391,349	133,834,878	20,955,127	178,000,000	196,649,584	-	292,391,349	330,484,462	20,955,127	**6.3%**
Physical Planning, Urban Development and Housing	47,660,493	81,075,595	2,369,182	45,500,000	95,869,941	-	93,160,493	176,945,536	2,369,182	**1.3%**
Gender, Culture, Social Services and Sports	83,069,099	120,456,348	33,883,414	264,100,000	317,750,685	-	347,169,099	438,207,033	33,883,414	**7.7%**
Trade and Tourism	121,253,463	155,383,322	30,269,490	226,163,361	260,229,808	45,354,413	347,416,824	415,613,130	75,623,903	**18.2%**
Cooperatives Development	10,178,850	28,178,850	2,670,205	-	-	-	10,178,850	28,178,850	2,670,205	**9.5%**
County Public Service Board	55,920,071	82,345,935	13,098,420	-	-	-	55,920,071	82,345,935	13,098,420	**15.9%**
Public Service Management	210,049,925	210,049,925	91,769,802	34,800,000	42,644,351	-	244,849,925	252,694,276	91,769,802	**36.3%**
Devolution, and Disaster Management	308,845,866	581,567,560	136,766,686	2,500,000	2,500,000	8,015,686	311,345,866	584,067,560	144,782,372	**24.8%**
Kilifi Municipality	-	19,600,000	-	-	96,593,668			116,193,668	-	**0.0%**
Malindi Municipality	-	19,338,716	-	-	233,406,332			252,745,048	-	**0.0%**
TOTAL	**7,094,836,639**	**8,470,419,926**	**2,256,175,031**	**5,266,902,146**	**6,253,216,107**	**359,592,100**	**12,361,738,785**	**14,723,636,033**	**2,880,903,647**	**19.6%**

CHAPTER 4: FISCAL POLICY AND BUDGET FRAMEWORK

Prudent Fiscal Policy

84. The 2020 County Fiscal Strategy Paper (CFSP), specifies broad strategic priorities and policy goals that will guide the preparation of the coming budget. The medium-term expenditure framework ensures resource allocation based on prioritized programs. Priority is accorded to ongoing projects as well as flagship projects that are almost complete amidst contracting resource basket. Thus, departments must do more with less than has been available through prioritization and directing spending towards most critical needs as well as leveraging on the private sector engagement.

Observing Fiscal Responsibility Principles

85. In managing the County Government's public finances, the County Treasury shall comply with the provisions of the Public Financial Management Act 2012 in observing these 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 thirty five (35) percent 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 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);

(vi) The fiscal risks shall be managed prudently; and

(vii) 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.

Fiscal Structural Reforms

86. Underpinning the fiscal program are measures to provide realistic own revenue estimates with the objective of exceeding the target every subsequent year. For effective and efficient management of financial resources, the County will continue to enhance revenue collection as well as rationalize expenditure. This will be achieved by instilling accountability and transparency in handling public finances, simplifing licenses and fees levies, improving compliance and automation of revenue collection system and to widening revenue base.

87. On the expenditure side, the County Government will continue to enhance prudent financial management; to improve efficiency and reduce wastage. The County Government will institute measures to contain the wage bill so as to channel resources to development initiatives. These would include payroll cleansing and staff rationalization. The County Government will also enhance staff technical capacity so as to encourage proper and transparent use of resources and enhance service delivery.

FY 2020/21 Budget Framework

88. The County Government intends to attain prudent use of financial resources in the coming financial year and over the medium term. As such, it will ensure strict adherence to the fiscal responsibility principles as well as prioritize the completion of ongoing

projects. As such, resources will be allocated to various departments based on the following considerations:

- Personnel costs of existing staff and their promotions, before recruitment of new staff is provided.
- Projects to be revoted
- Ongoing Projects
- Strategic Interventions
- Operations and Maintenance

89. The budget estimates will be scrutinized along the above considerations with at view to avail resources to scale up investments in the County's priority areas of Agriculture, Water, waste management, Health and Education, as captured in the CFSP 2020.

90. With regards to own source revenue estimates, the county government projects to collect Ksh.660,494,713 down from Kshs. 1,100,000,000 in FY 2019/20. This conservative figure is considered realistic but is subject to review especially when the revenue raising measures instituted during FY 2019/2020 materialize. A decision to revise the target upwards may be reached towards the end of the FY 2019/2020 considering that the process of reviewing the property valuation is approaching the tail end. The table below provides own source revenue projection for each class.

Table 4.1: Own Source Revenue Estimates for FY 2018/19-FY 2020/21

Revenue Class	Approved Estimates FY 2018/29	Approved Estimates FY 2019/20	Projected Revenue FY 2020/21
HSIF	158,287,692	132,000,000	94,383,844
Land Rates and other Land Revenue	338,355,777	337,710,413	126,387,790
Cess on natural resources	379,803,743	339,932,316	209,448,321
Business Permit	188,023,235	88,732,482	60,777,250
Parking fees	47,797,124	50,008,379	29,248,289

Revenue Class	Approved Estimates FY 2018/29	Approved Estimates FY 2019/20	Projected Revenue FY 2020/21
Market fees	31,477,932	16,569,337	11,677,048
Billboards & Signage	47,827,529	26,370,253	12,669,431
Building Plan approval and Inspection	5,680,382	9,242,007	5,713,060
Rent/Stall rents	14,222,944	5,874,241	5,835,845
Survey fees and plot rents	4,670,509	3,102,184	1,266,734
Sale of Tender Documents	61,647	-	21,000
Plot ground rent	6,857,069	9,908,832	6,728,051
House rent	100,816,543	15,000,000	54,873,993
Refuse Collection	1,355,696	6,343,947	1,262,806
Food Hygiene Fees	1,821,792	15,118,139	1,912,780
Slaughterhouse and Livestock sale Yards	1,993,703	3,539,470	1,600,657
Others	70,946,686	40,548,000	36,687,814
TOTAL	**1,400,000,000**	**1,100,000,000**	**660,494,713**

91. The county government will receive conditional grants amounting to Kshs. 1,824,081,312 which will be expended by respective departments as shown in the table below.

Table 4.2: Conditional Grants FY 2020/21

DESCRIPTION	REVISED ESTIMATES FY 2019/20	ESTIMATES FY 2020/21	Department/Division
Total Conditional Grants to County Government	**2,242,614,969**	**1,824,081,312**	
Total Conditional Grants from the National Government Revenue	**537,146,040**	**570,846,602**	
Compensation for User Fee Foregone	26,056,268	25,969,864	Public Health

DESCRIPTION	REVISED ESTIMATES FY 2019/20	ESTIMATES FY 2020/21	Department/Division
Leasing of Medical Equipment	131,914,894	148,396,170	Medical Services
Road Maintenance Fuel Levy	320,311,580	316,014,398	Roads Transports and Public Works
Rehabilitation of Village Polytechnic	58,863,298	80,466,170	Education
Total Conditional allocations to County Governments from Loans and Grants from Development Partners	**1,705,468,929**	**1,253,234,710**	
Loans and Grants	-	945,715,703	TBD
Transforming Health Systems (THS) for Universal Health Project	137,494,851	277,819,007	Medical Services
National Agricultural and Rural Inclusive Growth Project (NARIGP)	350,000,000		
Kenya Devolution Support Programme (KDSP) Level 1 Grant	30,000,000		
Kenya Urban Support Programme (KUSP)-Urban Development Grant	330,534,500		
DANIDA Grant (Universal Healthcare in Devolved System Programme)	32,775,320	29,700,000	Public Health
Water &Sanitation Development Programme (WSDP)	600,000,000		
Kenya Devolution Support Programme (KDSP) Level II Grant	153,800,563		
Agricultural Sector Development Support Programme (ASDSP) II	19,723,695		
Kenya Urban Support Programme (KUSP)-Urban Institutional Grant	50,000,000		
SlovakAid-Desktop Support for Vocational Training	1,140,000		

Indicative Budget Ceilings for the FY 2020/2021 Budget

92. The table below shows the indicative budget ceilings set for the various county entities. In formulating the FY 2020/2021 budget, county entities will be required to limit themselves within the resource constraints defined in the table.

Table 4.3: Indicative budget ceilings for FY 2020/2021

PROJECTIONS 2020/21			
Department	Recommended Recurrent Ceilings FY 2020/21	Recommended Development Ceilings FY 2020/21	Recommended Total Ceilings FY 2020/21
County Assembly	817,588,616	94,500,000	912,088,616
Office of the Governor	370,395,858		370,395,858
Finance and Economic Planning	391,986,183	60,033,455	452,019,638
Agriculture , Livestock and Fisheries	473,509,291	305,476,411	778,985,702
Water, Environment and Solid Waste Management	277,231,175	192,879,708	470,110,883
Education and ICT	749,964,192	180,009,414	929,973,606
County Health Services	2,500,244,741	210,006,553	2,710,251,294
Roads, Transport & Public Works	179,028,294	197,348,863	376,377,157
Lands, Energy, Physical Planning and Housing	148,199,339	314,942,962	463,142,301
Gender, Culture, Social Services and Sports	114,479,724	93,238,722	207,718,446
County Division for Trade, & Tourism	135,019,996	125,023,654	260,043,650
County Public Service Board	65,158,200		65,158,200
Devolution, Public Service and Disaster Management	211,479,111	42,960,041	254,439,152
Kilifi Municipality	25,000,000		25,000,000
Malindi Municipality	35,000,000	36,000,000	71,000,000
Strategic Interventions	1,307,383,844	1,287,626,466	2,595,010,310
Conditional Grants	333,488,871	1,490,592,441	1,824,081,312
Total	**8,135,157,435**	**4,630,638,690**	**12,765,796,125**

93. The strategic interventions provided for in the above budget ceilings include:

(i) Gratuity for county executives

(ii) Legal fees

(iii) Car loan and mortgage

(iv) Ward development projects

(v) Contracted services for garbage collection

(vi) Kilifi Ward Scholarship Fund

(vii) Medical drugs

(viii) Phase II of the Kilifi Hospital Complex

(ix) General insurance for motor vehicles

(x) Construction of sports stadium

(xi) Kilifi Micro-finance (Mbegu) Fund

(xii) Emergency relief programmes

(xiii) Staff medical insurance

These interventions have been provided for separately from the indicative budget ceilings for respective county entities.

CONCLUSION

94. The 2020 CFSP seeks to ensure that the county government creates and enabling environment for wealth creation by private citizens and both domestic and foreign investors. The contractionary expenditure direction advocated for in this CFSP will ensure that more public resources are directed towards catalysing the growth of the local economy and enhancement of efficiency in service delivery.