COUNTY GOVERNMENT OF KILIFI

THE COUNTY TREASURY

2023 COUNTY FISCAL STRATEGY PAPER

THEME: SPURRING ECONOMIC RECOVERY FOR INCLUSIVE AND SUSTAINABLE GROWTH

FEBRUARY, 2023.

FOREWORD

The 2023 CFSP is the first development policy to be prepared under the new government. It is also prepared during a transition period as the County moves into a new administration. It sets out the County government's policy direction, priority programs as well as the fiscal demands and needs that will be utilized in the Financial Year 2023/24. As such, it is anchored on H.E the Governor's manifesto, the national government development blue print. Focus has also been made on cross cutting issues and inter sectoral linkages that will harness synergies and bolt the development agenda into areas of quick wins and gains for the people of Kilifi.

The CFSP 2023 is written against a backdrop of fiscal slowdown due to global inflation as well as the aftermath and adaptation to the effects of the COVID-19 pandemic as well as persistent drought that has seen the county suffer food shortages as well as loss of animal and human life. These issues adversely contribute to the growth trajectory of the county. Hence the need for a stringent fiscal policy that will aim at using little to attain much over the subsequent financial year.

The Paper also aims at mainstreaming and integrating H.E. The Governor's manifesto across the various departments and has taken into account crucial development targets in the draft third generation County Integrated Development Plan 2023-2027 as well as Annual Development Plan 2023-24. Therefore, there will be concerted efforts at realizing the benefits of further devolving governance to improve service delivery, raise income of the poor by channeling spending to the productive sectors of the County's economy, broadening the reach of social sector services such as health, education, water and gender, increase linkage of rural areas to major infrastructural projects to improve livelihoods of residents as well as widening resource mobilization while improving business environment. The Paper also takes into cognizance deliberate efforts at revenue mobilization so as to boost the own source revenue amounts, to increase the fiscal space for the county.

Implementation of the CFSP 2023 will be done through the subsequent budget process that will channel resources towards priority areas aimed at addressing specific policy positions. To this end, the Paper will give budget ceilings that will address the priorities across the county departments and sectors. Departments and Sectors are thus advised to take into account the deadlines provided so as to finalize on the FY2023/24 and medium-term budget process.

HON. YAYE SHOSI AHMED,
COUNTY EXECUTIVE COMMITTEE MEMBER,
FINANCE AND ECONOMIC PLANNING.

ACKNOWLEDGEMENT

The 2023 CFSP for Kilifi County is part of the County Government effort to ensure effective linkages between policies, plans and budgets. It provides an essential resource envelop and presents the fiscal framework for the FY 2023/2024 budget and subsequent budgets falling within the Medium-Term Expenditure Framework.

The 2023 CFSP is aligned to the national objectives as set out in the Draft 2023 Budget Policy Statement. The paper provides specific expenditure ceilings for county departments and details guidelines that aim at structuring the pattern of County Government expenditure towards priority areas. These priorities are derived from sectoral reports which have recommendations from expenditure reviews.

Formulation of the 2023 CFSP was a collaborative endeavor among the County departments and sectors. We are grateful for their submissions and cooperation in the entire process. We are also grateful to the various stakeholders and general public for their comments and inputs through the public participation fora.

We are particularly grateful and recognize the leadership role provided by the CECM for Finance and Economic Planning and her guidance in the entire process; County Executive Committee Members for their input in providing much needed information to the team working on this 2023 CFSP. Finally, I register my appreciation to the core team in Economic Planning under the guidance of the Director Economic Planning for working round the clock to ensure a timely production of the document.

JACINTA ISMAIL,
CHIEF OFFICER, ECONOMIC PLANNING.

This 2023 County Fiscal Strategy Paper (CFSP) has been compiled using latestinformation, some of which is unaudited or subject to revision.

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OVERVIEW

The County Fiscal Strategy Paper (CFSP) is a county government policy document that sets out the policy direction and priority areas for the subsequent financial year; FY2023/24. It also sets out the resource basket and allocation to the various priority areas and key areas of intervention across the County departments and entities. As such, it guides in budget preparation for FY2023/24 as well as the medium term.

This 2023 CFSP draws its main development priorities and objectives from the draft County Integrated Development Plan 2023-2027, the Annual Development Plan 2023/24 as well as H.E the Governor's manifesto. It also resonates with the national government's priorities and policy guidelines espoused in the 2023 draft Budget Policy Statement which will focus on:

i. Agricultural Transformation and Inclusive Growth
ii. Transforming the Micro, Small and Medium Enterprise (MSME) Economy
iii. Housing and Settlement
iv. Healthcare
v. Digital Superhighway and Creative Economy

This 2023 CFSP is prepared against a backdrop of transition in government, a persistent drought situation, global inflation and recovery from the COVID 19 pandemic with a predicted positive growth in the national economy, which translates into a positive macro-economic outlook.

This 2023 CFSP thus aims at augmenting the previous years gains as well as setting off pace in the key areas of focus under the new government. Priority has thus been accorded to the 6 areas identified as key to development. These include:

- Affordable and accessible healthcare
- Quality education
- Youth and women empowerment
- Tourism and culture
- Agriculture and water
- Commerce and Industry

The 2023 CFSP will be the sounding board for the FY2023/24 budget and the medium-term expenditure framework; informing resource allocation in priority areas.

LEGAL BASIS FOR THE PREPARATION OF THE COUNTY FISCAL STRATEGY PAPER

The CFSP 2023 has been prepared in accordance with the section 117 of the PFM Act,2012 which states

I. The County Treasury, pursuant to section 117(1) and (6) of the Public Finance Management Act (PFMA), 2012 is mandated to prepare and forward the Fiscal Strategy Paper to the County Executive Committee for approval and subsequently submit the approved CFSP to County Assembly, by 28th February of each year. The same shall be published and publicized not later than seven days after it has been submitted to the County Assembly.

II. In accordance with section 117(2) of PFM Act, the County Treasury has aligned the proposed revenue and expenditure plan to the national financial objectives contained in the Budget Policy Statement (BPS) for 2021. In this regard, the fiscal policies are geared towards triggering a multiplier effect towards the achievement of the national theme of Building Back Better: Strategy for Resilient and Sustainable Economic Recovery.

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 its County Fiscal Strategy Paper the financial outlook to County Government revenues, expenditures and borrowing for the coming financial year and over the medium term.

V. In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of —

   a) the commission;
   b) the public;
   c) any interested persons or groups; and
   d) any other forum that is established by legislation

STRUCTURE OF THE COUNTY FISCAL STRATEGY PAPER

The CFSP has the following five sections:

Chapter one consists of the background and legal basis for the preparation of the CFSP.

Chapter two describes the major economic subsets through which the CFSP's theme will be achieved.

Chapter three describes the macroeconomic factors environment and how the interactions amongst the various factors influence the overall county's fiscal ecosystem.

Chapter four entails the county's compliance with the standards principles of public finance and the set fiscal responsibility principles. This section also spells out the budget framework for the coming financial year.

Chapter five is conclusion

CHAPTER TWO: SPURRING ECONOMIC RECOVERY FOR INCLUSIVE AND SUSTAINABLE GROWTH

2.0 INTRODUCTION

This CFSP 2023 is written in the dawn of a new government and in meant to herald the first phase of the development aspirations of the new government whilst leveraging on the gains made in the first decade of devolution.

The CFSP aligns with the key development trajectory in the draft 2023 BPS and is focused on consolidating the post pandemic economic recovery efforts as well as initiating new projects with crucial multiplier effects to the economy and citizenry. Focus will be in four thematic areas that are crucial to the attainment of the overall development vision. This is hinged on the following thematic areas:

1. Enhancing Service Delivery through Efficient Governance
2. Strategic Investment in the Social Sectors
3. People Centered Initiatives in the Productive Sectors

The CFSP 2023 will also focus on expenditure mainstreaming to cut back on non-core expenditures as well as encourage investment in the core areas of the economy to boost the economic outturns thus improving lives and livelihoods.

2.1 ENHANCING SERVICE DELIVERY THROUGH EFFICIENT GOVERNANCE

The spirit of the Constitution of Kenya, 2010, advocates for good governance as one of the pillars of development. Kenya's development blueprint Vision 2030, advocates for good governance in its political pillar, a key delivery for the overall development progress.

To enhance good governance, the County plans to enhance transparency and accountability by complying with statutory requirements in provision of plans and budgets as well as other key requirements in the dissemination of information to the public as well as civic engagement. This will ensure that nobody is left behind in the development agenda.

In FY2023/24, the County will automate revenue collection across the county and establish cess points and mobile revenue officers for collection of revenue across specific streams. In addition to this, the business entities will be mapped out and put on a database to allow for ease in collection of the revenue. The automation of revenue will be followed by a performance based contracting system for the revenue collection officers so as to have a result-based approach on collection.

There will be deliberate efforts to improve public finance management by establishing a fully automated asset and risk register to allow for prudent management of the county assets. Furthermore, the internal audit system will be automated to allow for efficiency and coordinate the risk management system for quality management and enhance operations of the audit committee.

On development planning, the county government will facilitate the operationalize the public investment management unit to come up with an investment portfolio for both foreign direct investments as well as domestic direct investments. The unit will check on the viability of investment projects as well as private partnerships across the county. In addition to this, there will be established a donor liaison and private sector engagement unit to coordinate various donor and private investments within the county. To check on efficiency in public resources and value for money, there are plans to prioritize the automation of the monitoring and evaluation of county programs and projects. This will be done through the formulation and adoption of a comprehensive M&E policy that will take into account the various institutions across the county. In addition to this, there will be established a service delivery unit that will be domiciled at H.E the Governor's office. This will allow for coordination of development and program delivery across the county as well as monitoring of the implementation of the Governor's manifesto. To buttress the use of evidence for policy and decision making, there will be efforts to establish and operationalize the collection, adoption and storage of statistics at the county, which will be preceded by a situational analysis as well as a statistic policy and later a creation of an automated database for the same.

To improve access to information, there will be automation and digitalization of the enacted laws by the county assembly. This will also be followed by a comprehensive legislative drafting to review and amend all county laws to be in line with the national laws. Furthermore, the drafted laws and policies will be in line with the governance structure and will be subjected to public participation. The county will also establish a robust legal advisory mechanism to take care of any emerging legal queries and issues across the county. This will be complemented by partnerships with organizations like IDLO, IJM and FIDA on cross cutting issues with regard to legislation and litigation on HIV, Children Matters and Gender as well as engaging with other donors with regard to cross cutting issues.
To ensure continuous flow of work, there will be efforts of establishing a

pupillage center at the County Attorney's office to allow for mentorship of upcoming advocates to ensure legal representation of the county.

To improve citizen engagement in civic issues and development matters, the County, through the Department of Devolution and Civic Engagement aims at operationalizing the Kilifi County Public Participation and Civic Education Policy 2022. The department will also develop public participation and civic education structures and training to improve administrative, planning and support services for effective service delivery. There will be structured efforts at strengthening delivery of public services through establishment of village administration units, completion of sub-county administration offices, development county administration policy, construction of ward administration offices, community complaints feedback mechanisms, dissemination meetings of county by-laws to stakeholders within the county, establishment of a security control center and construction of a county headquarters.

The county Government remains a duty bearer to its citizens' safety. To this end, the county plans to formulate and adopt a disaster management policy to take care of the continuum of disaster; from prevention to response, mitigation and containment. In addition to this, there will be investments into a disaster risk reduction strategic planning and management, as well as responsive disaster management throughout the disaster cycle. Furthermore, the county government will play an important role in the participatory partnership between itself and development partners, international agencies, and other bodies in disaster risk reduction and disaster management efforts and emergency response. This will also be complemented by mainstreaming disaster management through sensitization and community-based education, to attain awareness on the various disasters, their containment and mitigation.

2.2 STRATEGIC INVESTMENTS IN THE SOCIAL SECTOR

The social sector refers to the areas of government functions that aim at providing the basic duties that touch on the citizens welfare and livelihoods in terms of health, education and culture. In line with schedule IV of the Constitution of Kenya, the County Government is mandated to provide the social services across predefined levels.

The main socioeconomic benefits the County has identified on Social Sector Financing include:

- Social investments in children that include education, nutrition and health objectives which enhance human capital, break intergenerational poverty and foster sustainable development;
- Ensuring decent work and protection against unemployment so as to foster inclusive economic growth by increasing the productivity of labour and the enhancement of productive assets;
- Providing income security for older persons so as to support inclusive growth, drive demand and promote economic empowerment, in particular, for older women; and
- Investments in affordable and accessible health care that increase productive activity and foster economic security at the household level and job-led growth.

Investments in the social sectors will prove to be an effective means of achieving sustainable development by fostering inclusive growth, increasing social cohesion and promoting environmental governance.

In the FY2023/24, there will be significant resource outlays within the social sectors and the county government of Kilifi aims at attaining the following specific interventions and development goals:

2.2.1 PROVISION OF QUALITY AND AFFORDABLE HEALTH CARE.

2.2.1.1 Increasing Access to Preventative and Promotive Healthcare Services.

Universal Health Coverage is anchored on three pillars of access, universal provision and financial protection. As Kenya inches towards 2030, there is need to ensure adequate provision of healthcare services across the population. This is in line with SDG 3 that advocates for good health and wellbeing. With the rising disease burden for both infectious and non-communicable diseases, it is important to ensure that preventative and promotive measures are undertaken to check on disease before they are advanced so as to curtail the high cost of treatment.

Over the years, the County government has made significant strides in the provision of healthcare services and has worked on key interventions and projects to improve the quality and number of health facilities, human resources for health as well as provision of health care services and quality of healthcare services by availing medical products, drugs, equipment and technologies.

In the FY2023/24, the County government through the department of health will focus on improving access to affordable and quality preventive and promotive healthcare services. These services will be accessible, responsive and available to the citizens. This will be done through strengthening community health system by formulation and adoption of the community health strategy policy and bill. The bill will aim at establishing and functionalizing community health units as well as training of community health volunteers (CHVs).

To further compound on the previous years' gains, the county will focus on building robust primary healthcare networks (PCNs) in each sub county. These are an integral part of Primary Health Care (PHC) and a building block in the scale up towards UHC. The PCNs will help achieve universal access to health care by availing person-centered services closer to communities in need and assure quality, continuity and sustainability of healthcare. Each PCN will have the responsibility of providing PHC services while utilizing resources available within its geographical region. These will include reorganization of human resource, infrastructure, health products and technologies, finance, and governance structures in order to be responsive to the healthcare needs of the community; and to ensure efficient, rational and equitable allocation of supplies, while avoiding wastage and minimizing shortages/stock outs. As a key programme towards reduction of health-related issues the department will increase the ratio of funding for preventive and promotive services compared to curative and rehabilitative services.

On the same vein, the county will invest in strategies and interventions to reduce incidences of communicable diseases such as malaria, HIV and TB, by focusing on increasing the percentage of patient diagnosed enrolled onto care and treatment.

To address the rising burden of non-communicable diseases (NCDs), the county will work on a variety of measures to reverse the trend, with a key focus on preventative and promotive interventions. As such, the county targets to increase the number of hypertensive cases identified and managed from 80,844 to 86,080, increase the number of Cervical cancers screened and managed from 17,243 to 36,841 and number of diabetes cases identified & managed from 18,804 to 13,013. The CHVs will also be included to help with the sensitization as well as screening and enrolment of patients into care. Focusing on early detection will allow an easier management of the diseases.

There will be focus on improving Reproductive Maternal Neonatal Child and Adolescent Health (RMNCAH) through provision of adequate and appropriate

family planning services among the women of reproductive age (50% to 52%), encouraging up to 4 antenatal clinic visits by pregnant women (increase from 59 to 62%), encouraging delivery by skilled birth attendant (increase from 85.8% to 90%) as well as focusing on providing post-natal care. Given the huge resources required to improve RMNCAH outcomes in Kilifi and the limited fiscal space, strategic choices will be made to select relevant best buys based on, but not limited to, gap and bottleneck analysis.
Malnutrition is a key contributor to child poverty and impairs other key milestones in the development and growth of a child. Kilifi County has high malnutrition incidence which need to be combated. The County plans to do this through a raft of measures that include: strengthening inter-sectoral collaboration and continue deworming and providing vitamin A supplementation, introducing school feeding programs in ECD and primary levels in partnership with the County Department of Education and the national government, increasing the proportion of children 6-23 months with access to an acceptable diet, establish and operationalize nutritional programmes for preschool children and strengthening multi sectorial collaborations to support human nutrition especially the under-five. These initiatives will improve community knowledge, attitude and practice on maternal, infant, and young child feeding.

2.2.1.2 Health Administration and Support

Health administration and support services remains a key component/ingredient towards proper delivery of health services. The constitution of Kenya 2010 and vision 2030 has spelled out the right to the attainment of the highest standard of health to the citizen which calls for a comprehensive effective and efficient infrastructure development. The county will continue to improve on health infrastructure through fast tracking construction and completion of ongoing projects, equipping and upgrading of existing health care facilities and increase digitization of health information. These are some of the mechanisms that need to be institutionalized and legislated at all levels to enforce quality of services.

The county will progressively undertake capacity building of its health workforce on curative and rehabilitative services and conduct integrated outreaches particularly on the far-flung areas in the county. This will be achieved through training such as SLDP and SMC, capacity building of health workers on professional skills as well as recruitment of health workers to cater for the increased demand. With regards to improving service delivery in our health facilities, the county plans to equip our health facilities with specialized and diagnostics services as well as establishing oncology and cardiac center in addition to increasing access and availability of pharmaceuticals & non-pharmaceuticals essential commodity stock through procurement of medicine and other supplies.

2.2.2 QUALITY EDUCATION

2.2.2.1 Education Infrastructure

2.2.2.1.1 Early Childhood Education

The County recognizes pre-primary education as a crucial foundation stage for education which encompasses a lifelong learning ranging from character formation throughout one's life and in line with the Sustainable Development Goal (SDG) number 4 target 2. Adequate and quality education infrastructure ensures that access to quality early child hood development, care and pre-primary education in readiness for formal schooling.

The County has made tremendous efforts through continued construction of ECDE classrooms across the county. Through the County Department of Education (DoE), the County has constructed 865 ECDE classrooms. 771 classrooms are complete and operational. Going forward, to cater for the increasing number of pupils, the county will upgrade and equip existing infrastructure as well as establish digital learning in all ECDE centers. New ECDE centers will also be established in efforts to reduce the distance to the nearest ECDE with the target being 5km.

With the increase in infrastructure, there has been a significant increase in the enrolment rate across these centers which has been attributed to the improvement in the physical environment to attract and retain pupils. The current enrollment rate stands at 96.2% with a retention rate of 87% and a transition rate of 90%. To boost retention and nutrition of children in ECDE centres, the county will introduce and sustain the feeding programme for ECDE children in addition to constructing supporting infrastructure for the national government school feeding programme.

In addition, the teacher-pupil ratio reduced from 1:45 to 1:37 against the internationally accepted standard of 1:25 that has been attributed to the recruitment of 1284 ECDE caregivers. These are efforts geared towards an adequate workforce for improved service delivery. To further bridge this gap, the department will continuously invest in human resource development and empowerment in efforts towards increasing access to education for all.

2.2.2.1.2 Vocational and Technical Education

To drive the engine of industrial and economic growth, Technical and vocational Education and Training (TVET) holds the key to building the technical and entrepreneurial workforce for such growth. The county has a total of 41 operational vocational training centers distributed across the seven sub-counties, out of which 38 are registered while 3 are not registered for lack of basic requirements like infrastructure. Additionally, 4 VTCs (Junju, Dagamra, Matandale and Mwele Simakeni) are still under construction. To ensure access to quality Vocational training and Education, the county will upgrade the infrastructure through construction of workshops, classrooms, toilets and ICT labs. Additionally, the county will retool VTCs with modern equipment, electrical connectivity, internet connectivity and Fresh water connectivity.

To improve enrolment in VTCs, the county conducted publicity and awareness creation campaigns in VTCS through radio, TVs, Bill boards which has increased enrolment from 3000 to about 7,600 students. The county will further diversify existing trade lines in the VTCs and TVETs under its jurisdiction and incorporate new and emerging trade lines such as videography, plant operator and cottage industries. The county will also sensitize the community on the various programmes offered in these VTCs.

To improve the teacher student ratio, the county has employed 129 instructors and 3 vocational training officers, while 200 instructors are still engaged by VTC board of governors. Currently the instructor student ratio is at 1:59 with a completion rate of 80%. Going forward, the county government will progressively recruit more teachers to be posted to schools including Special Needs Schools (SNE) to bridge this gap.
To ensure a skilled workforce, the county will conduct capacity building and refresher courses for its human resource specifically targeting instructors and tutors in VTCs. This will improve service delivery and ensuring access to quality vocational training and education.

2.2.2.2 Enhancing Information and Communication Technology (ICT) Capacity

Access to ICT infrastructure plays a key role in enhancing productivity, competitiveness and promoting investments in the County. To date the County has made significant progress of ensuring all information regarding the County economy is availed to all stakeholders. To improve ICT Digital Infrastructure Development, the county will construct and establish a County ICT Nerve Center at HQ, establish County Level 4 Hospitals and Level 3 interconnectivity infrastructure, establish County Dispensaries Interconnectivity Infrastructure phase 1, and the County Vocational Interconnectivity infrastructure. This robust infrastructure development through automation of all County services will provide enhanced operational efficiency and effectiveness in service delivery

To Embrace Digital and e - Service for County Government services, the county will establish a County Integrated Electronic Citizen portal and Digital service Kiosks in every Ward, install informative Smart Digital Screens at strategic places, establishment of County Integrated (EMR) Electronic Medical Records, establish County unified informative call Center, establish County Integrated ERP -Asset and fleet Management and County Biometric system. These reforms will enhance transparency and good governance in the management of county affairs.

Additionally, to ensure a progressive and digitally transformed County, the government will develop a County Digital transformation Master Plan, cyber security act, ICT act, Communication act and Branding act. The digital masterplan identifies four key pillars - digital infrastructure, digital services and data management, digital skills, and driving digital innovation for entrepreneurship. Other key priority areas under the masterplan include development of a legal, policy & regulatory framework, research & development, information security & cyber management and emerging technologies.

Finally, to reduce the digital divide, the county will conduct digital literacy programme in the county, establish digital innovation, entrepreneurship and digital business incubation hub at Mazingira in addition to establishing Digital Learning centres.

2.2.3 ENHANCED ACCESS TO CLEAN AND SAFE WATER AND ENVIRONMENT

2.2.3.1 CLEAN AND SAFE WATER

Sustainable Development Goal 6 aims at ensuring availability and sustainable management of water and sanitation for all. As its first target, the goal aims at achieving universal access to safe and affordable drinking water for all by 2030. Poor water and hygiene services is a major cause of disease and an impediment to development, hence the need for access to clean and safe water for both domestic and commercial use.

The County Government's goal is to provide water to every household over the medium term. To ensure sustained supply of clean and safe water, the government will continue to progressively improve existing water infrastructure as well as expand through rehabilitation of existing water supplies, enhancing water sources by constructing small dams with a treatment and distribution system, rehabilitation of two boreholes in Baricho, construction of extension pipelines, construction of storage tanks (reservoir tanks), construction of new dams and desilting, and promote rain water harvesting by providing storage tanks and engage in the drilling of boreholes. In order to reduce the cost of implementing the aforementioned strategic priority, the County will procure heavy machinery to undertake the exercise. They include; bulldozers, water bowsers for water trucking, utility vehicles, excavators, drilling rigs, rollers shovel among others.

The County will invest in extending the availability and accessibility of public water supply to informal settlements and vulnerable communities, to fulfill its obligation of providing clean and safe water in adequate quantities. To ensure uninterrupted water supply, the county will undertake timely maintenance of the existing water supplies. The government will also continue with construction and rehabilitation/desilting of dams, drilling and equipping of boreholes, underground water extraction and protection of water points (springs). In addition, water catchment areas will be protected and residents around these areas will be sensitized on the need to have water towers protected and conserved. Schools, health facilities and private developers will be encouraged to install roof catchment systems to assist address water challenges in the rural areas.

The County government will put in place regulatory frameworks to ensure the affordability of safe drinking water for poorer communities and households, and address corrupt practices that affect affordability and supply. To reduce the cost of pumping water, the government plans to introduce a hybrid system consisting of both solar and diesel water pumps to pump water from boreholes and other water distribution networks. The demand for water in the county and its environs far outstrips supply. To address this, the County will enhance capacity by constructing the Tsangatsini 8-inch pipeline to ensure that water supply is significantly improved.

In the medium term, the government will strengthen its efforts in the provision of clean and portable water within reasonable distance for domestic, agricultural and industrial use. Investing in water services will stimulate agricultural and industrial development in the county, yielding job opportunities, income and food security, thus securing livelihoods of residents of the county. The government will therefore prioritize distribution of water to public institutions, communities and households in a programme dubbed '*last pipe connectivity*'. This will be achieved through active and meaningful participation of communities in decision-making to improve water service delivery, accessibility, affordability, quality and security for community members.To promote sustainable energy for enhanced water supply, the county will employ a Green sustainable Energy technologies strategy for water conveyance and hybridization of all available energy sources for sustainable water supply systems.

Noting the close correlation between the rights to water and sanitation, and the right to health, the County will invest in water and sanitation infrastructure in informal settlements and vulnerable communities. To develop and promote effective and efficient sanitation services the county will employ appropriate technologies in waste management e.g. use of the biodigester. The county will also provide sanitation facilities for an open defecation free environment in addition to constructing sewerage treatment plants for major municipalities. Finally, the department will then establish sanitary landfills and promote awareness campaigns to discourage rural communities from open defecation near water sources.

2.2.3.2 SUSTAINABLE ENVIRONMENTAL CONSERVATION

2.2.3.2.1 Combating Climate Change

Climate change remains a defining issue of our age. With the changing patterns in temperature and weather, there is a need to create safety nets and mitigate the adverse effects of these shifts. Sustainable Development Goal 13 urges governments and communities to take urgent action to combat climate change and its impacts. Other SDGS are also interconnected and reliant on the climate change containment measures.

The main focus for the county is to provide a clean, secure and sustainable environment for its citizens. Over the last decade, the county has witnessed a systematic depletion of forest cover as development of housing and other urban infrastructure take precedence. This trend continues to threaten the rich urban nature and biodiversity that the county is endowed with. In this regard, the government will coordinate a structured programme to restore forest cover and conserve biodiversity for shared prosperity. To confront the realities of climate change, the County will embark on adoption of technologies for climate change mitigation and resilience, human resource development and partnership with academia and other research institutions.

Environmental protection and conservation play a fundamental role towards climate change mitigation. To enhance environmental sustainability; the county will implement a green economy strategy. The focus will be on control and management of solid and liquid waste, tree planting and beautification to enhance carbon sinks including revival of the tree planting days, control of air pollution, land, noise and other public nuisance, environmental education and awareness, green energy promotion and provision of water services and management, and protection of sensitive ecological zones particularly springs and other wetlands. To buttress these measures, the County will review the Kilifi county environment laws. This is in a bid to implement the county environmental laws and framework and improve monitoring on environmental compliance and awareness creation among the regulated community. The government will also strengthen the Environmental Impact Assessment Unit (EIA) unit and mainstream the EIA/EA to county planning.

To mainstream issues of climate change, the county will strengthen capacity of local structures matters environment and encourage climate smart infrastructure. One of the main priority will be to conduct a county climate change vulnerability/impact assessement and a county climate change policy. At least 1.5 percent of the development budget will be committed to climate change related issues. The government intends to establish a climate change information center, strengthen community resilience to impact of climate change, promote community adaptation mechanism to climate change, create inter linkages for climate proofing programs, integrate climate change mitigation and adaptation in county planning, develop the county climate change action plan and mainstream climate change actions into county planning. This will strengthen the county climate change institutional frame work.

2.2.3.2.2 Comprehensive Afforestation

With increased expansion of human activities to exploit natural resources, forest coverage is rapidly decreasing leading to massive land degradation. Deforestation and desertification pose major challenge to sustainable development. It is estimated that the world's rain forests could completely vanish in a hundred years at the current rate of deforestation. The County shall therefore pursue programmes that sustainably manage forests, combat desertification, halts and reverses land degradation.

To improve the forest cover, the county will continue establishing tree nurseries, establish a green belt, support communities to undertake nature-based enterprises and sensitization on sustainable forest management, develop management plans for county forests, promote green school programme, establish arboretums and recreational parks, distribution of free seedlings, urban forestry, gazettement and restoration of all conservation areas, check on encroachment and the governor's forest in efforts towards afforestation and re-reafforestation initiatives in deforested areas. There will also be a framework in place to incentivize the private sector in matters of mitigation and adaptation and a robust tree planting exercise. These initiatives are geared towards improving the forest cover from the current 23.4% towards the national target of 30%.

The benefits of natural resources may be compromised in the county due to high population growth rate, increased urbanization, increased land fragmentation, water scarcity and reduced soil fertility. A combination of these factors has resulted into food insecurity, natural resources overexploitation and increased poverty levels in the County. The current constitution has necessitated formulation of a county natural resources Policy, which is cognizant of the new dispensation. One of the responsibilities of the County government is to formulate relevant county policies to meet the aspirations of the Constitution and for sustainable development. Thus, to promote sustainable natural resource conservation, the county will develop a county natural resource policy in addition to mapping and developing a database on the natural resources within the county. The county will also rehabilitate degraded areas and empower artisan miners in an effort to protect the fragile ecosystem.

2.2.4 COMPREHENSIVE SOCIAL PROTECTION

2.2.4.1 Enhanced Social Protection and Community Empowerment

The County will channel its efforts into the various demographics in its population to maximize their wellbeing. Focus will be on youth, elderly, children, people with disabilities and other vulnerable groups.

To harness the demographic dividend of the youthful population in the county, there is need to tailor make development activities and options for them. These options should progressively translate into economic ventures that can be a source of livelihoods for them.

As such, in the next financial year, the County plans to embark on the following activities for social empowerment: promote sports and talents among youth, providing necessary equipment for talent nurturing and enhancing social cohesion and mobilize communities to participate in decision making and development. This will be achieved through supporting youth and women for self-reliance, upgrading and expanding the sport facilities, promoting goodwill between the county stakeholders, regulating drugs and substance abuse among others.

Moreover, there will be investments into formulation of the county youth policy, national volunteering policy, adolescent and young people's reproductive health and rights policy. These will be complemented by efforts at mainstreaming the youth agenda in all sectors; capacity building and awareness on AGPO and other government opportunities, entrepreneurship, blue economy, facilitate creation of Kilifi County Youth Grants, establish and operationalize Youth Empowerment Centers and a youth resource center, establishment of youth community innovation hubs in each ward.

In addition to these, the county government will initiate support fund for the vulnerable group where necessary and collaborate with the national government and other stakeholders in supporting this group as a way of integrating them into the development process of the county. The government will also enhance rehabilitation of street children, create employment and enhance the portion of tenders accessed by the youth, women and people with disabilities (PWDs). To compound these gains, the County aims at constructing a PWD empowerment center.

To cement these gains, the County will, in the next financial year institutionalize these gains by formulating the County child protection policy, develop a database for PWDs, construct a child rescue center, establish children parliaments and community hubs.

The county is committed to attaining Sustainable Development goal 5 on achieving gender equality and empowering all women and girls. To this end, there will be concerted efforts at mainstreaming gender responsive planning and budgeting across the county departments and entities. These will be complemented by efforts at domesticating the women economic empowerment strategy 2020-2025, fast track and finalize key policies, operationalize of the existing policies on gender empowerment.
The county will also aim at combating and ending gender-based violence (GBV) in all its forms across the county. This it will do by investing in safe houses and rescue centers; one in each sub county, for victims of GBV. There will also be a sustained financial support for GBV capacity building and creation of legal awareness, enhancing GBV prevention, response, recovery and rehabilitation.

The county will endeavor to protect its members from the ills of gambling and betting by enacting a Betting and Gaming Act to regulate these activities. This will be done through sensitization programs to curb illegal gambling as well as inform members on the activities and their effects.
To take rehabilitate addicted individuals, the County plans to construct rehabilitation and treatment centers in each sub-county and amend the liquor act to ensure compliance with the law.

<u>2.2.4.2 Promoting a Cultural County</u>

Culture is a way of life and a unique identifier of a community. Exploring the various cultural identities on a community is a means of social cohesion and if well exploited, can create decent jobs and livelihoods. Therefore, there is need to promote a positive cultural heritage for communities.
The County will focus on a variety of initiatives in the next FY to meet the twin goals of aforementioned. These will include:
Establishing apprenticeship training programs for youth champions on cultural and heritage conservation, promote traditional medicine practice for youth on culture and heritage and train (200) Youth Champions on cultural heritage and indigenous knowledge and entrepreneurship. This will be anchored in a comprehensive legal and policy on cultural and creative arts and heritage.
The county will restore and protect all the unique historical sites and monuments for socio economic gain, and provide more training and film equipment to our local film producers. This will provide direction for cultural development and promote unity and diversity in the county.

<u>2.2.4.3 Sporting on Sports</u>

The county aims at enhancing the participation of the younger population in sports activities. There is also need to demystify sports and move away from football by diversifying the sports platter in the county to include other sport activities. To this end, the County will embark on a raft of measures to promote sports talent in the County. This will be founded on a robust sports policy that will guide the development of sport in the County. As a follow up on this, the County intends to establish standard sports facilities (sports complex, stadia, Sports academies/talent centers), develop multi talent halls in each sub county, identify and link talented sports academies graduates and students to the talent centers, involving external scouts for talent search during county sports competitions, link with the Department of Education to offer scholarships to talented students, purchase and distribute sports equipment to teams, organize a County Annual Sports Extravaganza and sports clinics, develop a sports database and exploiting new frontiers in sports around blue economy and tourism such as sport fishing, water sports, beach sports and e-sports.

2.3 PEOPLE CENTERED INITIATIVES IN THE PRODUCTIVE SECTORS

The lifeline of an economy lies in its ability to engage in economic activities that in turn generate revenues. This informs the significant investments that the county plans to have in the key productive sectors of its economy.
As such, there will be strategic interventions in the following key areas of the county, which are the drivers of the economy.

2.3.1 PROMOTING INCLUSIVE AND TRANSFORMATIVE AGRICULTURAL PRACTICES

The economy of Kenya is highly dependent on agriculture which directly contributes to 25 per cent of the country's GDP. As a result, the government prioritizes Agricultural Transformation and Inclusive Growth as a core thematic area for implementation in the next financial year. In Kilifi County, agriculture accounts for[1] 22.2 per cent of the proportion of the county's GCP as compared to a 32.2 per cent contribution in 2019. The sector has been facing setbacks occasioned by poor rains and poor agricultural yields. The County Government of Kilifi will focus on varied initiatives with majority of the strategies anchored on the 2014 Malabo declaration that primarily focusses on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods which reflects the national government pursuits in the next financial year. Explicitly the government will;

[1] Proportions estimated from KNBS Gross County Reports 2019 and 2021

Increase irrigation agriculture practices from the current [2]3.5 per cent farming households in Kilifi County with main priority on Dagamra. This strategy will involve small holder farmers;
Support access to existing Farm(input) subsidy such as improved and certified seeds, introduction of new nutrition dense crops e.g. millet, sweet potatoes, indigenous vegetables to facilitate crop diversification and enhanced extension services including animal health initiatives in disease control and use of tractors by deliberate targeting of resource poor farmers;
Explore varied agriculture practices as an alternative source of livelihood such as increasing cash crop farming through increasing tree coverage ([3]mango, cashew, coconut seedlings), a strategy that includes tree revamping and rehabilitation efforts; enhance sustainable [4]dairy value chain development through breed improvement (through artificial insemination) and revive and operationalize dairy co-operatives; and enhance additional value chains including, local chicken value chain, Beef/goats value chain and Bee keeping;
Commercialize livestock farming remains a top priority with a number of strategies adopted including establishing livestock export zones, processing zones and fattening zones; enhancing feeds production and conservation; renovating existing slaughterhouses and building modern slaughterhouses; completing and finalizing milk collection centers and equipping and enhancing mobility of extension officers
Operationalize Competency Based Education and Training at ATC Mtwapa and promotion of research in agriculture through feasibility studies, and improvements in laboratory services by renovating and equipping existing lab infrastructure.
Improve agricultural market access using the value chain development approach; quality control and certification; and promoting the creation of tanneries
Blue economy has formed a global conversation in an effort to end hunger, reduce poverty, create jobs and spur economic growth. Within the context of agriculture, the county will double up efforts to enhance deep sea fishing by developing boat

[2] Farming households in Kilifi county account for 54 percent of the total number of households (Kenya Population Census Reports 2019 – Volume III)
[3] Kilifi County accounts for 3.8, 4.7, 52.3 and 45.3 of Kenya's Citrus, Mangoes, Coconuts and Cashewnuts respectively. Out of which it accounts for 100 percent of the country's Coconuts and Cashewnuts in the Coastal production market. - (Kenya Population Census Reports 2019 – Volume III)

[4] Kilifi Counties' Value-chains and their country relative performance

Value Chain	Exotic cattle - Dairy	Exotic cattle -Beef	Indigenous cattle	Goats	Indigenous chicken
KILIFI	0.5%	0.9%	1.5%	3.6%	2.2%
Value Chain	Exotic chicken layers	Exotic chicken broilers	Beehives	Fish Ponds	Fish Cages
KILIFI	0.8%	2.3%	0.3%	1.5%	1.5%

yards; promote sustainable fisheries management through trainings and co-management (fisher community ability to manage resource is strengthened – bmus); enhance [5]aqualture, and promote Mari culture by improving fish breeds and hatcheries; improve marketing structures and infrastructure for fish market though a digital marketing system; quality control services (training fish inspectors – building their capacity – in trade area – markets - Strengthening the extension services- equipping skills and tools – locomotive); developing physical market and establishing of fish processing plant

The development commitments made by the county government for this sector generally includes efforts to enhancing Investment Finance in Agriculture, Commitment to Ending Hunger, ending poverty by Inclusive Agricultural Growth and Transformation, boosting regional trade in Agricultural commodities and services and Enhancing Resilience of Livelihoods and Production Systems to Climate Variability and other related risk to foster an environment that supports thriving of the sector.

[5] 0.2 per cent of farming households in Kilifi county practice aquaculture while 4.0 per cent practice fishing

2.3.2 EFFICIENT ROAD AND TRANSPORT INFRASTRUCTURE

Infrastructure is a crucial enabler to the economy and plays a midwifery role between the various sectors and the development aspirations. This is does by contributing towards improving our competitiveness, interconnectivity and integration of the County.

In the FY2023/24, the County government will continue to scale-up connectivity through increasing access to roads by upgrading 20km of roads to bitumen standards, constructing new roads, upgrading of all existing roads in rural areas to gravel standard and also do rehabilitation and maintenance of all county roads.

This will be complemented by creation of a database which will host all the road classes and their level of completion. This will include data on what roads have been done and those not done so as to check on the progress as well as monitor the implementation efficiently. An elaborate and clear road network will be enabled through clearly mapping out of all county road infrastructure based on available data on county roads that are either done or not done. In addition to this, the County will embark on the establishment of roads policy and legislation to check out on the various aspects of road construction, rehabilitation and maintenance.

Other issues to be checked in the FY2023/24 include rehabilitation and equipping of existing Malindi and Mariakani fire station. To further increase access to the county road network the distribution of road infrastructure will be pegged on equity. Quality standards remain a key issue in building roads but this would be addressed by a rigorous M&E process in the department.

On Transport, the department aspires to formulate legislation on county public transports, fees etc. This will be implemented at the marshalling yard and will be done in conjunction with the relevant departments like Finance (revenue mobilization) as well as the relevant municipalities to check on the revenue collection as well as the infrastructure, respectively.

The department aims at centralizing the county transport unit by coordinating all county vehicles centrally at one place as opposed to the department. This will be facilitated through automation that will create and maintain a database of all the county vehicles and monitor for their utilization across the county thus checking on efficiency and convenience. Furthermore, there will be an introduction of fuel cards so that the fuel cost is well accounted for.

2.3.3 SUSTAINABLE LAND USE AND DEVELOPMENT

Land is a key factor of production on which physical infrastructure is built and developed. As such, there is need to use it sustainably and efficiently to maximize returns on it. In the next FY, there will be deliberate efforts at utilization of land as well as empowering the community into using the land for their benefit and to yield economic returns.

Over the next FY, these are the initiatives that will be undertaken:

2.3.3.1 Land Tenure

There will be efforts at registration of all community land parcels within the county in line with the Community Lands Act. This will also be in line with the National Land Policy thus allowing for security of tenure which will allow for other benefits like maximum utility of land and access to finance.

There will be efforts at titling and registering all approved trading centers and marking the sites for specific activities. This will allow for the county to map out the traders and levy market and trading fees as well as rates hence a source of revenue.

There will be survey for all public lands, to map them out and host them in a database for information as well as accessibility. This will be an inventory for all public land and social amenities thus a check on encroachment as well as a basis for recovering all encroached land.

The County will embark on identification and mapping land under squatters as well as checking on absentee landlords. This profile will allow the County embark on resettlement measures as well as negotiations through the National Land Commission for the squatters to get legitimate titles and allow them legitimate access to the land for maximum utilization.

In addition to this, there will be efforts at titling the 8 county estates.

To leverage on these gains, the County will embark on land information management system to enhance on access to information as well as improve land administration and management. This will be based on a rigorous Geomatics Information System (GIS) that will host the spatial data online. This will be complemented by a revision of the land valuation roll to check on sub divided and consolidated land parcels thus checking on revenue collection through land rates. This will be done in conjunction with the Department of Finance (revenue mobilization).

2.3.3.2 Planned Physical Planning and Urban Infrastructure

The county intends to implement the county spatial plan that was launched in November of 2022. This will be preceded by a sensitization of all the relevant stakeholders.

There will also be deliberate efforts at acquisition of spatial planning data for key towns like Mariakani, Mtwapa, Gongoni, Kilifi and Malindi. The physical infrastructure will include storm water drainage open spaces and other planning issues and will be used in the development and management of the towns. This will give effect to the development of the urban areas thus allowing for preparation of an integrated strategic urban development plan. This will be complemented by enforcement in development control through integration of emerging legislation to buttress these gains.

2.3.3.3 Housing Affordably

The County will enhance its efforts at improving access to decent affordable housing through a raft of measures. This will be done by adoption of market survey and housing strategy to allow for the adoption of housing strategy. This will be anchored on adoption of the national housing strategy.

There will be renovation of the county houses, starting with Ngala Phase II in Malindi Town. This is in a bid to increase the rent collection hence the county own source revenue. Another complementary effort will be to undertake a pilot housing estate in Bofa.

The county will embark on increase acreage of serviceable land through land banking, stock taking of housing cooperatives, offsite infrastructure services as well as formulation and adoption of the County Housing Policy.

The county will embark on increasing the public office space through adoption of the county master plan.

The county will be deliberate on its efforts towards improving the livelihoods of residents in informal settlements. This will be done through collection of data on informal settlement; stock taking data on informal areas as well as mapping the informal settlements and conducting land clinics.

2.3.3.4 Energy

The County will channel its energies towards increasing reliability to clean energy such as electricity and solar energy. This will be done in conjunction with national government agencies such as REREC, KETRACO, KPLC who will roll out the infrastructure.

There will be efforts towards creating a county energy policy and bill that will provide the critical regulation and institutional framework. This will be complemented by an energy database which will map out the energy sources and will be a source of revenue.

There will also be an establishment of the county energy maintenance unit that will check on rehabilitation of energy infrastructure to improve the efficiency. This unit will also check on the energy audits and issuance of smart meters.

The County will also partner with development partners to champion the adoption of clean cooking technologies across the county. The county endeavors to establish energy enterprise development projects that will be strengthened through energy cooperatives and a revolving fund.

2.3.4 REVITILIZATION OF COMMERCIAL ACTIVITIES

Trade, tourism and co-operatives development contribute very significantly to the economy. The County Government remains dedicated to sustain a more conducive macroeconomic environment that favors robust growth of business and tourism activities, and productive co-operatives that favor the growth of the Medium and Small Enterprises. To boost economic activities in this sector the government will;

Scale up the operations of co-operatives within Kilifi County. This will be done through promoting and adopting of appropriate legislation (co-operative policy and bill) for strengthening of co-operatives activities; building capacity of co-operatives through availing trainings, education and information and attending benchmarking sessions; promoting governance and advisory services through audits, inspections, audit clinics and extension and advisory services in the form of management meetings, annual general meetings, internal controls and government manuals; and promoting marketing and value addition in co-operative societies through Agro-marketing value chains improved through pursuing PPPs and Infrastructure improvement and equipment purchase for cooperatives to enhance their capacity.

Revive tourist activities within the county and along the coastline. To achieve this, the county will strengthen existing annual events- cultural events, sporting event, festivals through Branding of tourist towns, coastal products, thrilling destination, and Kilifi as a whole, strategic marketing, signages and signature product marketing; promote Niche products like Beach rugby competitions to promote local tourism and Iso certification for one of the beaches in Kilifi county; enhance tourism training and capacity building and promote tourism infrastructure development through operationalizing tourism policy, beach sanitary development, opening up of beach access roads and beautification of touristic towns in Kilifi county.

Operationalize trade activities through enhanced trade through mapping traders and providing appropriate training to boost SME activities; promote market development by building modern markets, finishing ongoing markets, enhancing market maintenance, digitizing trade, and providing WASH facilities in open air markets; enhance Fair Trade Practices using suitable weights and measures; and boosting Trade Investments by having an operational law/ investment board in place, creating an investment database and providing an investment menu.

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

3.1 Overview

Kenya's rebound from the pandemic continued in 2022. Driven by broad-based increases in services and industry, real Gross Domestic Product (GDP) increased by 6.0 percent Year-on-Year (y/y) in the first half (H1) of 2022. However, the agriculture sector contracted by 1.5 percent during the same period, and with the sector contributing almost one fifth of GDP, its poor performance pulled back GDP growth by 0.3 percentage points. Notwithstanding the strong y/y creases, GDP has seen a marked sequential slowdown since the 2021 third quarter (Q3) as base effect dissipated and business confidence weakened because of the global commodity market shock, a long regional drought and domestic political uncertainty in the run up to the August 2022 general elections. Business confidence however picked up in the wake of a smooth transition of power following a largely peaceful presidential election.

Kenya's growth prospects remain bright; however, emerging shocks are challenging the broad-based rebound. The baseline assumes robust growth of credit to private sector, contained COVID-19 infections, and high commodity prices favorable for Kenyan exports to boost Kenya's growth in the medium term. However, the ongoing shocks, including the long drought in arid and semi-arid areas, rising inflation, and tighter global financial conditions, create challenges for Kenya to sustain its recovery.

3.2 Global and Regional Economic Developments

According to the latest *Global Economic Prospects* report, global growth is expected to decelerate sharply to 1.7 percent in 2023—the third weakest pace of growth in nearly three decades, overshadowed only by the global recessions caused by the pandemic and the global financial crisis. This is 1.3 percentage points below previous forecasts, reflecting synchronous policy tightening aimed at containing very high inflation, worsening financial conditions, and continued disruptions from the Russian Federation's invasion of Ukraine.

Growth in advanced economies is projected to slow sharply in 2023, to 0.5 percent, as central banks continue to tighten monetary policy to contain inflationary pressures, labor markets soften, and energy market disruptions in Europe persist. Growth is expected to pick up modestly in 2024, as policy headwinds abate and energy markets stabilize. Persistent high inflation requiring an even more aggressive monetary policy response represents a major downside risk, as do prolonged energy supply disruptions in Europe.

Following last year's sharp deceleration, growth in EMDEs is forecast to remain essentially unchanged at 3.4 percent in 2023. However, excluding China—where growth is expected to partially recover after a weak 2022—EMDE activity is forecast to again slow markedly this year, to 2.7 percent. Spillovers from weaker growth in the euro area and the United States are expected to dampen activity in EMDEs, especially those with tighter economic linkages to these major economies.

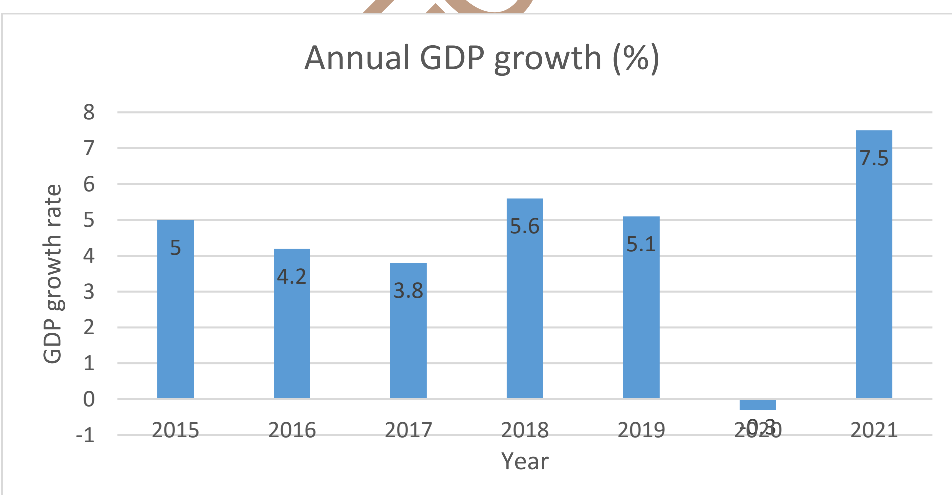
Growth in SSA is projected to edge up in 2023 to 3.6 percent—a 0.2 percentage point downward revision from the June forecast—before picking up to 3.9 percent, in 2024. Even though an expected moderation of global commodity prices should temper cost-of-living increases, tighter policy stances to address elevated inflation and public debt will weigh on domestic demand. Meanwhile, weakening growth in advanced economies and China is expected to pose headwinds for external demand, particularly among exporters of industrial commodities. Constrained access to external financing, tight fiscal space, and high borrowing costs are expected to markedly limit many governments' ability to spur faster growth.

In some agricultural commodity producers, unfavorable weather conditions (for example, below-average rainfall in East Africa) are expected to persist, exacerbating the adverse impact of costlier farming inputs on agricultural production.

3.3 Domestic Economic Developments

Kenya's medium term growth prospects remain positive with GDP projected to grow by 5.2% on average in 2023-24 notwithstanding current global and domestic shocks. The baseline assumes robust growth of credit to the private sector, continued low COVID-19 infection rates, a near term recovery in agricultural production, and high commodity prices favourable to Kenyan exports. These developments are in turn expected to catalyze private investment to support economic growth.

Figure 1: Annual Real GDP Growth rates



Source of Data: Kenya National Bureau of Statistics

The country's real GDP expanded by 4.7 per cent during the third quarter compared to a 9.3 per cent growth in the same quarter of 2021. Most sectors posted decelerated growths owing to the significantly high growth rates recorded in the third quarter of 2021 that signified recovery from the impact of the COVID-19 pandemic. Notable sectors that supported growth during the period under review include: Accommodation and Food Service activities (22.9%), Wholesale and retail trade (9.1%), Professional, Administrative and Support services (8.7%), Education (7.1%), Other services (6.9%) and Financial and Insurance (5.3%) activities. The growth was however slowed by declines in activities of the Agriculture, Forestry and Fishing, and Mining and Quarrying sectors which contracted by 0.6 per cent and 2.2 per cent, respectively.

The agriculture sector recorded a contraction of 0.6 per cent in the third quarter compared to a growth of 0.6 per cent recorded in the corresponding quarter of 2021. The slowdown in performance of the sector was mainly attributed to unfavourable weather conditions that prevailed in first three quarters of 2022.

The manufacturing sector grew by 2.4 per cent in the third quarter of 2022 compared to a 10.2 per cent growth in the same period of 2021. The growth was supported by increases in sugar production, processing of coffee and assembly of motor vehicles.

Electricity and Water Supply sector recorded a decelerated growth of 4.7 per cent in the third quarter of 2022 compared to a growth of 6.4 per cent in the corresponding quarter of 2021.

Transportation and Storage sector grew by 4.8 per cent compared to a 14.2 per cent growth registered in the third quarter of 2021. The growth of the sector was supported by increased activities in the railway transport, road transport and water transport.

The performance of the construction sector was relatively slower in the third quarter of 2022 compared to the same quarter of 2021. The sector recorded a 4.3 per cent growth in the said quarter compared to a growth of 6.7 per cent in the corresponding period of 2021. The slowed growth was mirrored in cement consumption and imports of construction materials.

The Accommodation and Food Service activities sector continued to record steady performance after recording significantly subdued performances in 2020 and part of 2021 as a consequence of the COVID-19 pandemic. Activity in the sector remained resilient during the electioneering period to record improved performance in the quarter under review. The sector grew by 22.9 per cent in the third quarter of 2022 compared to 127.5 per cent growth in the corresponding quarter of 2021.

Information and Communication sector grew by 4.6 per cent in the third quarter of 2022 compared to 4.1 per cent growth in the corresponding quarter of 2021. The growth in the sector was supported by increased usage of the internet and mobile money services.

Financial and Insurance sector grew by 5.3 per cent in the third quarter of 2022 compared to 11.8 per cent growth in the corresponding quarter of 2021. During the review period, the Central Bank Rate increased to 8.25 per cent in September 2022 compared to 7.00 per cent during the same period in 2021.

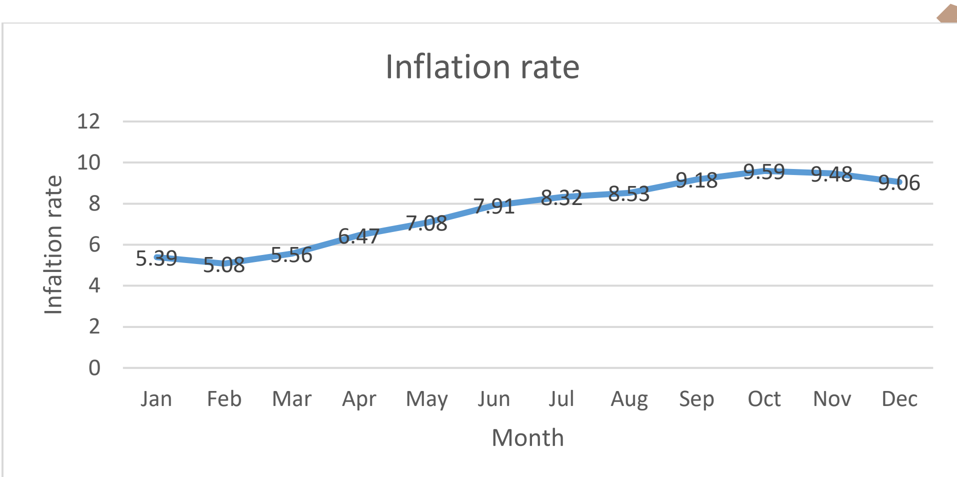
3.3.1 Inflation

Inflation is expected to remain elevated in the near term, due in part to the scaling down of the Government price support measures, resulting in increases in fuel and electricity prices; the impact of tax measures in the FY 2022/23 Budget; and global inflationary pressures.

Overall year-on-year (annual) inflation rate as measured by the Consumer Price Index (CPI) was 9.1 per cent, in December 2022; a decrease from an inflation rate of 9.5 per cent recorded in November 2022.

Core inflation has been low and stable, consistent with the muted demand pressures in the economy on account of prudent monetary policies.

Figure 2: Inflation Rate, Percent



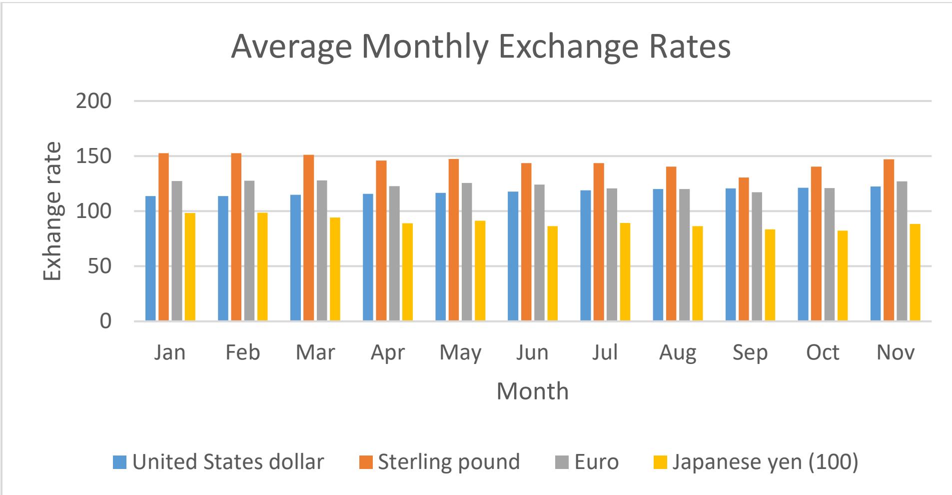
Source of Data: Kenya National Bureau of Statistics

3.3.2 Kenya Shilling Exchange Rate

Due to the strong dollar, the exchange rate to the Kenya shilling like all world currencies has weakened but strengthened against other major international currencies. In comparison to Sub-Saharan Africa currencies, the volatility of the Kenya Shilling exchange rate has remained relatively low at 9.2% against the US Dollar in October 2022.

The US Dollar exchanged at Ksh. 122.45 in November 2022 compared to Ksh. 112.49 in November 2021. The Euro exchanged at Ksh. 127.13 in November 2022 compared to Ksh. 126.96 in November 2021 while the Sterling Pound exchanged at Ksh. 147.21 compared to Ksh. 150.11 over the same period

Figure 3: Kenya Shillings Exchange Rate



Source of Data: Central Bank of Kenya

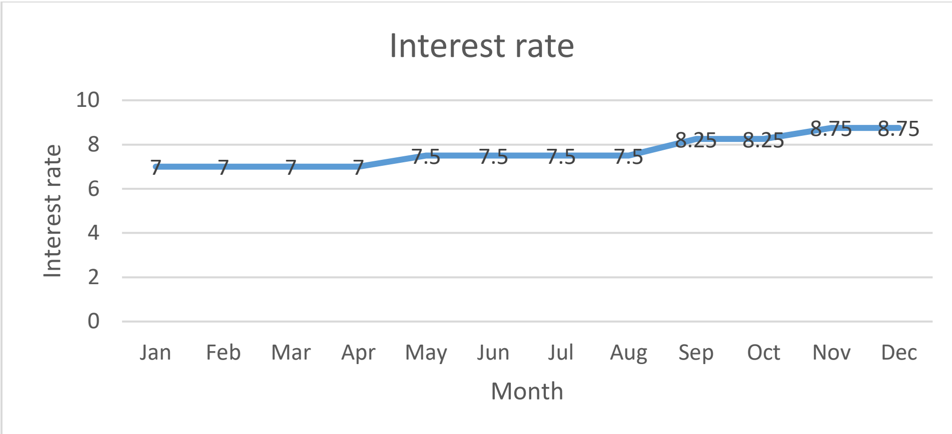
3.3.3 Interest rates

Monetary policy stance remain tight to anchor inflation expectations due to the elevated risk of high inflation outlook as a result of increased global commodity prices and supply chain disruptions. The CBR was raised to 8.25% from 7.5% in September, 2022.

The interbank rate remained stable at 5.1% in October 2022 while the 91-day Treasury Bills rate was at 9.1% over the same period

The average lending rate was at 12.4% in September 2022 from 12.1% in September 2021 while the average deposit rate increased to 6.8% from 6.3% over the same period. Consequently, the average interest rate spread declined to 5.6% in September 2022 from 5.8% in September 2021.

Figure 4: Central Bank Rate



Source of Data: Central Bank of Kenya

3.3.4 Economic Outlook

3.3.4.1 Global Growth Outlook

Global growth is slowing sharply in the face of high inflation, synchronous policy tightening to contain it, worsening financial conditions, disruptions resulting from Russia's invasion of Ukraine, and feeble confidence. The world's major engines of growth are undergoing a period of pronounced weakness, and the ensuing spillovers are exacerbating other headwinds faced by EMDEs. Elevated debt burdens and already weak growth indicate that a further negative shock— in the form of higher inflation, additional policy tightening, or financial stress—could push the global economy into recession.

The SSA regional outlook for 2023-24 is for only a modest pickup in growth and a slow rise in per capita incomes, dimming prospects for a rapid reversal of recent increases in poverty. Risks are tilted to the downside. A more pronounced weakness in major economies, further increases in global interest rates, higher and persistent inflation, fragility, and increased frequency and intensity of adverse weather events could further slow growth across the region, exacerbating poverty and leading to debt distress in some countries.

3.3.4.2 Domestic Growth Outlook

The Government is implementing a 38-month Economic Recovery Program, supported by the IMF. The Program aims to among others: strengthen Kenya's COVID-19 response and maintain support for those most impacted by shocks to the economy; reduce debt vulnerabilities through a revenue-driven fiscal consolidation and stabilize the growth in public debt; advance the structural reform, governance agenda and address weaknesses in State-Owned Enterprises (SOEs); and strengthen the monetary policy and support financial stability.

Reforms in tax policy and revenue administration will continue to be scaled up. As such, the Government will continue to minimize tax expenditures and increase predictability in the tax system that will boost revenue performance.

The Government will continue to restrict growth in recurrent spending through cutting down on non-priority expenditures.

3.3.4.3 Risks to the Economic Outlook

On the external front, uncertainties in the global economic outlook have also increased which could impact on the domestic economy. These risks include: the possible worsening of the Russia - Ukraine conflict which could heighten the risk of oil and commodity price volatility and elevated inflationary pressures; the continued COVID-19 restrictions in China could further disrupt the global supply chains; and global monetary policy tightening, especially in the United States, could increase volatility in the financial markets.

On the domestic side, the risks emanate from unfavorable weather conditions that could affect agricultural production, the rising inflationary pressures and market failures that restrict access to credit.

The Government continues to respond to the adverse impact of these emerging issues through fiscal measures, among them fertilizer subsidies to lower the cost of production, targeted intervention to persons and communities affected by the ongoing drought and establishment of the Hustler Fund to support growth of MSMEs and individual traders that will correct the market failures of the vast majority of Kenya's at the bottom of the pyramid.

CHAPTER 4: FISCAL POLICY AND BUDGETARY FRAMEWORK

4.1. COUNTY FISCAL OUTLOOK

Implementation of the FY22/23 was not smooth sailing due to interruptions of political campaigns and the general election. The transition into a new government also kept in abeyance many other activities and programs and led to a sustained interruption that spilled over to the budget implementation in terms of expenditure and revenue collection.

Consequently, the revenue performance has not been as predicted in the first half of the FY22/23. The overall post transition outlook looks positive with dedicated efforts at increased revenue mobilization as well as diversification. This may lead to an increase in the OSR collection for the last half of the FY.

On the expenditure side, the County's absorption rate stands at ….% in the first half of FY2022/23. Revision of the main budget to take care of the incoming governments key priorities as well as finalize ongoing projects is a sure way of increasing absorption as well as increasing the money supply into the economy for sustained economic growth. The multiplier effect of this will lead to micro economic prosperity within households in the County.

4.2 FISCAL POLICY

The 2023 CFSP specifies the priority areas that the County want to embark on in the subsequent financial year. Therefore, the fiscal policy stance will be informed by the priority areas in the various county departments as well as the fiscal responsibility principles set out in the PFM Act, 2012. The principles are as follows:

a) The County Government's recurrent expenditure shall not exceed the County Government's total revenue;
b) Over the medium term, a minimum of thirty percent of the County Government's budget shall be allocated to the development expenditure;
c) The County Government's expenditure on wages and benefits for its public officers shall not exceed 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;
d) Over the medium term, the Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;

e) The County debt shall be maintained at a sustainable level as approved by County assembly and shall never exceed twenty (20) percent of the county government's total revenue at any one time in accordance with Regulation 25(1)(d);

f) The fiscal risks shall be managed prudently; and

g) 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.

In the FY2023/24, the fiscal policy stance will be aimed at spurring economic growth through a consolidated approach at own source revenue mobilization and collection. This will be preceded by a mapping out of the revenue entities and a result based approach at mobilization and collection. It is expected that implementation of the valuation roll will also be a key contributor at driving up the revenue collection. However, OSR predictions will also be kept at realistic levels so as to maintain sound expenditures.

On expenditure, priority will be accorded to the core programs and projects that address H.E the Governor's manifesto and development agenda. Priority will also be given to pending bills, ongoing projects as well as new projects that ought to be implemented in the first phase. There will be need to curtail the non-core expenditures and prioritization of expenditures in the social sectors and areas of investments that present quick gains and wins. This will allow for continuous service provision to the citizenry.

4.3 FY2022/23 BUDGET FRAMEWORK

The FY2022/23 will aim at channeling resources into non-discretionary expenditures such as personnel emoluments. There will also be expenditure outlays to the social sectors to ensure service delivery as well as provision of core services to the citizenry. There will be significant allocations towards programs that aim at implementing flagship and key projects across the county to spur economic activity and growth.

4.3.1 REVENUE FRAMEWORK

4.3.1.1 OWN SOURCE REVENUE (OSR)

The OSR projections will be conservative in the FY2023/24. This will be informed by the prevailing macroeconomic conditions, performance of the revenue streams in past years as well as the first half of FY2022/23 as well as the revenue consolidation measures already in place by the new government. Prioritization of the county revenue mobilization efforts will also be taken into account while making the revenue projections.

REVENUE CLASS	ACTUALS			
	2019/20	2020/21	2021/22	Half Year 2022/23
FIF & NHIF	179,400,631	162,517,034	280,113,841	133,767,492
Land Rates and other Land Revenue	131,437,899	170,329,040	107,510,206	23,627,027
Cess on natural resources	276,601,301	273,840,434	244,805,804	116,371,327
Business Permit	42,495,339	57,731,023	50,045,462	6,579,476
Parking fees	29,805,584	25,515,572	25,163,907	9,800,835
Market fees	7,439,593	9,285,225	9,769,231	4,109,160
Billboards & Signage	24,837,467	29,147,422	31,270,722	4,922,125
Building Plan approval and Inspection	6,817,100	51,174,860	36,172,097	18,593,812
Rent/Stall rents	5,411,657	7,432,190	7,900,250	3,389,050
Survey fees and plot rents	1,179,405	537,730	697,050	126,606
Plot ground rent	7,292,635	5,686,017	4,792,982	4,362,486
House rent	30,478,756	2,677,814	9,807,862	3,906,900
Refuse Collection	4,384,327	2,267,500	1,632,600	306,700
Food Hygiene Fees	4,152,351	5,035,910	3,779,710	373,000
Liquor licence	-	-	6,657,000	709,700
AMS & ATCs	-	-	4,327,310	657,501
Leasing of Plants and Equipment	-	-	-	-
Slaughter House and Livestock sale Yards	3,526,063	1,045,190	1,499,520	631,640
Others	38,452,949	25,494,690	21,527,660	3,823,430
TOTALS	**793,713,057**	**829,717,651**	**847,473,214**	**336,058,267**

4.3.1.2 EQUITABLE SHARE

The County has over the years, received equitable share of the revenue raised nationally, which has been its major source of revenue. According to the draft BPS 2023, for the FY2023/24, the county governments' allocation of equitable share will be based on the third basis for revenue sharing, adopted by parliament in 2020. Therefore, for the subsequent financial year, Kilifi County will receive KES. 11,944,749,823, an increase of KES. 303,156,882 from the current financial year. The amount is also inclusive of grants hitherto disbursed as conditional grants.

The table below shows the amount of equitable share that the county has received since inception.

FINANCIAL YEAR	EQUITABLE SHARE
2013/14	5,820,419,123
2014/15	6,492,284,172
2015/16	7,441,216,645
2016/17	8,029,167,703
2017/18	9,950,900,000
2018/19	10,833,000,000
2019/20	10,444,500,000
2020/21	10,444,500,000
2021/22	11,641,592,941
2022/23	11,641,592,941
2023/24	**11,944,749,823**

Therefore, the total County's resource basket will be as follows:

Table : Resource Basket for FY2023/24.

REVENUE ITEM	**AMOUNT FOR FY 2023/24**
Equitable Share Raised Nationally	11,944,749,823
Own Source Revenue	1,284,432,741
TOTAL	**13,229,182,564**

4.3.2 EXPENDITURE FRAMEWORK

On the expenditure side, the County has in the first half of FY2022/23 managed to spend KES. 3,814,052,799, representing 24% of the County budget. This is illustrated in the table below:

DEPARTMENT	APPROVED ESTIMATES	REVISED ESTIMATES	RECURRENT	DEVELOPMENT	TOTAL	ABSORPTION RATE
County Assembly	1,050,000,000	1,050,000,000	321,248,266	-	321,248,266	31%
Office of the Governor	164,870,685	355,927,575	86,669,738	-	86,669,738	24%
County Attorney	156,432,340	115,085,560	25,827,373	-	25,827,373	22%
Finance	284,906,428	677,812,847	145,748,107	-	145,748,107	22%
Economic Planning	88,456,785	72,387,505	7,215,665	-	7,215,665	10%
Resource Mobilization		198,650,000				0%
Agriculture	510,636,694	656,618,368	10,516,723	136,732,418	147,249,142	22%
Livestock Development	67,574,918	59,584,917	911,403	-	911,403	2%
Fisheries & blue economy	147,343,721	133,188,762	1,695,799	-	1,695,799	1%
Water Services	2,724,825,373	1,619,709,098	447,500	43,401,751	43,849,251	3%

Environment and Natural Resources	214,026,970	107,847,254	18,012,500	19,598,295	37,610,795	35%
foresty and climate change		42,000,000				0%
Early Childhood Education and Vocational Training	867,529,490	801,801,200	6,128,629	6,577,759	12,706,388	2%
ICT and E-Government	25,456,672	22,400,422	-	-	-	0%
Health and Sanitation Services	1,784,168,954	1,869,311,799	244,987,064	73,822,530	318,809,594	17%
Public Health	191,205,527	155,577,652				
Roads and Transport	1,144,465,414	1,372,462,820	100,326,529	106,027,437	206,353,966	15%
Lands	820,756,170	715,998,323	194,581,090	45,356,852	239,937,942	34%

physical planning	184,364,415	175,093,428				
Gender and Social Services	266,563,325	247,679,179	24,463,110	-	24,463,110	10%
Youth affairs and sports	72,000,000	92,997,417				0%
Trade Development	263,999,204	281,188,486	1,124,936		1,124,936	0%
tourism promotion		12,328,785				0%
Cooperative Development	32,200,567	-	159,975	-	159,975	
County Public Service Board	63,698,442	63,698,442	2,045,344	-	2,045,344	3%
Public Service Management	4,624,160,235	4,460,069,213	2,099,710,551		2,099,710,551	47%
Devolution & Civic Education	70,301,012	52,201,013	90,715,455	-	90,715,455	174%

Special Programmes and Disaster Management	97,045,649	189,995,649				0%
TOTALS	**15,916,988,989**	**15,601,615,713**	**3,382,535,757**	**431,517,042**	**3,814,052,799**	**24%**

For expenditures, the County will have three pockets of expenditures as follows:

4.3.2.1 Personnel Emoluments

There is an increasing need to increase the amount due to personnel to cater for issues such as promotions and new recruitments across specific departments and the two municipalities of Kilifi and Malindi. This has been taken into account while computing the personnel emoluments due to the staff.

The Personnel Emoluments budget ceilings will be concluded after the public participation exercise.

4.3.2.2 Strategic Interventions

This expenditure pocket will include the key areas of intervention whose allocation needs to be ring fenced to allow for efficient and uninterrupted service delivery. This will also allow .an objective allocation of the departmental ceilings as they are not taken into account during ceiling computation of the ceilings thus allowing for an equitable distribution of the county resources.

These interventions include:

- Medical Drugs
- Non-Pharmaceuticals
- Ward Scholarship Fund
- Mbegu Fund
- Staff Medical Insurance Fund
- Road Maintenance Fund
- Gratuity
- Legal Fees
- Emergency Fund
- School Feeding Programme
- Kilifi and Malindi Municipalities

4.3.2.3 Operations and Maintenance (O&M).

The O&M budget entails the expenditure outlays necessary for the day to day running of the county departments and entities offices and other recurrent expenditures. Due to the constrained fiscal space, there will be a deliberate effort to reduce the expenditures in this bracket for the FY2023/24.

The O&M budget ceilings will be concluded after the public participation exercise.

4.3.2.4 __Development Budget__

This is another significant expenditure bracket for the County for FY2023/24. The County will expend a significant amount of resources herein to meet the expenditure needs of new projects as well as completion of ongoing projects. *The development budget ceilings will be concluded after the public participation exercise.*

4.3.3 INDICATIVE BUDGET CEILINGS

The indicative budget ceilings per department will be firmed up after the public participation and reviews from the departments, in light of the prevailing economic conditions and other fiscal needs.

The budget ceilings will be concluded after the public participation exercise.

CONCLUSION
The County will embark on ambitious development trajectory to advent the new government. Conscious allocation of resources to high yielding ventures will be a key strategy at leveraging on the gains of yester years and fast tracking the new government's agenda.