L&P
File copy

REPUBLIC OF KENYA

COUNTY ASSEMBLY OF SIAYA

INTERNAL MEMO

FROM: HEAD OF LEGISLATIVE AND PROCEDURAL SERVICES

TO: HEAD OF COMMITTEE SERVICES

REF: CAS/MEMO/3(2) - 51

DATE: 2ND MARCH, 2023

SUBJECT: COMMITTAL OF PAPER LAID.

The above subject matter refers.

The Assembly during its Afternoon Sitting on Thursday 2nd March, 2023 received the following papers.

- The Siaya County Fiscal Strategy Paper 2023/2024
- The Siaya County 2023 Medium Term Debt Management Strategy Paper

The stated documents were referred to the Select Budget and Appropriations Committee for consideration and reporting pursuant to Standing Orders.

Enclosed herewith, please receive a copy of the Paper for your necessary action.

Yours faithfully,

Charles O. Onyango

Cc. - **Hon. Speaker**

- **Assembly Clerk.**

REPUBLIC OF KENYA

COUNTY GOVERNMENT OF SIAYA

FINANCE AND ECONOMIC PLANNING

MEDIUM TERM

FISCAL STRATEGY PAPER 2023/2024

"Economic transformation for shared growth".

FEBRUARY 2023

TABLE OF CONTENTS

Foreword

The 2023 County Fiscal Strategy Paper (CFSP) is the first to be prepared under the administration, the *Nyalore* Government. It sets out the primary programs and policies t implemented in the Medium-Term Expenditure Framework (MTEF). The CFSP-2023 comes time when the County Government is finalizing the preparation of the third generation Co Integrated Development Plan (CIDP) for 2023 to 2027 of the Vision 2030 that will prior implementation of economic recovery and growth strategies of the new administration.

The CFSP-2023 is framed against a backdrop of global economic slowdown underpinned by ongoing Russia-Ukraine conflict, elevated global inflation, the lingering effects of the COVII pandemic, and persistent supply chain disruptions and the drought effects that have created urge on food security and climate change interventions. This urgency allows us to refocus inv m on mitigation, adaptation and firm resilience. As the effects of COVID-19 pandemic started to away, the County Government of Siaya contributed 1 percent to the National GDP of 7.5 percer 2021. However, the momentum has been slowed again by the Russia-Ukraine conflict that disrupted global trade through increased fuel, fertilizer and food prices. For the first time in years, inflation rate in Kenya is above the Government target range mainly driven by supply constraints occasioned by the external shocks as well as the drought effects. In addition, the dro impacts in the economy has created a strong focus on food security and climate change. I therefore necessary that going forward, the county government prioritizes interventions that unlock economic growth and confer benefits to intended beneficiaries.

To achieve this, the county government has taken a strategic policy shift that requires applicatio resources towards completion, equipping and operationalization of ongoing infrastructure je In this regard therefore, county government entities with ongoing projects across the econo social and enabler pillars have been given priority in resource allocation in this document.

Specifically, the County Government in the FY 2023/24 will also make deliberate efforts to in in agriculture, livestock and fisheries development to ensure it plays its critical role in ensuring f self-sufficiency and security through mechanization, increased farm acreage, enhanced exten services and provision of improved farm inputs. Additionally, the *Nyalore* manifesto seek enhance value addition through agro-processing. In the health sector, the county will accele equipping existing health facilities and operationalize completed ones to improve accessibilit quality healthcare and invest in universal healthcare coverage. In roads and public works sector, county will seek to improve accessibility through grading, gravelling, construction of bridges tarmacking of roads. Improved accessibility will thereby contribute immensely in enterp development, value addition, job creation and reduction in poverty. The county will also seek to strengthen socio-economic development through investment in culture and heritage, early childhood education, vocational training, water, strengthening of decentralised structures (sub-county, ward and village administration), gender and rights-based development interventions and strengthening of its own source revenue base as well as human resource capacity.

Finally, the government will digitise its operations to enhance public engagement, accountability, accessible and convenient service delivery to the people of Siaya. This will have direct benefits in the growth and management of Own Source Revenues (OSR).

The policies in this document have been anchored on the Medium-Term Plan IV of the Vision 2030, CIDP 2023-2027 and ADP 2023/2024. The focus of the policies is to continue providing an enabling environment for economic recovery to safeguard livelihoods, jobs, businesses and increasing the size and share of the county's Gross Domestic Product (GDP). Hence the theme, ***"Economic transformation for shared growth".***

COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE & ECONOMIC PLANNING
COUNTY GOVERNMENT OF SIAYA
Date……………………………

Hon. Benedict Abonyo Omollo

CEC Member- Finance and Economic Planning

Acknowledgement

This is the tenth County Fiscal Strategy Paper (CFSP) to be prepared since devolution. The paper outlines the broad strategic macroeconomic issues and Medium-Term Fiscal Framework, together with a summary of Government spending plans, as a basis of the 2023/24 budget.

Preparation of 2023/24 County Fiscal Strategy Paper (CFSP) benefitted from contributions from different stakeholders. First and foremost, I wish to acknowledge the contribution by H.E. The Governor and the entire County Executive Committee for providing strategic leadership in the formulation of development priorities and availing resources to facilitate the activity. Secondly, I wish to acknowledge the role played by fellow Chief Officers for providing technical support during the preparation of this paper. My gratitude goes also to those who contributed toi an engaged public participation, such as members of the public, the civil society and any other stakeholders who in one way or the other contributed to the preparation of this paper.

I also wish to acknowledge the invaluable role played by the Sub-County and Ward Administrators and the Ministry of Interior and Coordination of National Government through the Chiefs and Assistant Chiefs in mobilizing members of the public.

Finally, I wish to acknowledge the Directorate of Budget and Economic Planning and the entire Finance team for their zeal in coordinating the activity and putting together information from different sources to compile the Paper.

To all of you, I say thank you.

CHIEF OFFICER
FINANCE & ECONOMIC PLANNING
COUNTY GOVERNMENT OF SIAYA
Date...

Jacktone Ouma Odinga

Ag. Chief Officer, Finance and Economic Planning

Acronyms and Abbreviations

AFILF	Agriculture Food Irrigation Livestock and Fisheries
ASDSP	Agriculture Sector Development Support Program
ADP	Annual Development Paper
BMU	Beach Management Unit
BPS	Budget Policy Statement
CBK	Central Bank of Kenya
CPI	Consumer Price Index
CDF	Cooperative Development Fund
COVID 19	Corona Virus Disease-2019
CAPR	County Annual Progress Report
CBEF	County Budget Economic Forum
CBROP	County Budget Review Outlook Paper
CEC	County Executive Committee
CFSP	County Fiscal Strategy Paper
CHRMAC	County Human Resource Management Advisory Committee
CIDP	County Integrated Development Plan
EAC	East Africa Community
EYAGSS	Education Youth Affairs Gender and Social Services
EMDE	Emerging Markets and Developing Economies
EID	Enterprise and Industrial Development
FY	Financial Year
FMD	Foot and Mouth Disease
GDP	Gross Domestic Product
HCM	Human Capital Management
HRM	Human Resource Management
ICT	Information Communication Technology
ICU	Intensive Care Unit
KCSAP	Kenya Climate Smart Agriculture Project
KECOBAT	Kenya Community Based Tourism Network
KDSP	Kenya Devolution Support Programme
KICOSCA	Kenya Inter-County Sports and Cultural Association

KYISA	Kenya Intercounty Sports Association
KNBS	Kenya National Bureau of Statistics
KUSP	Kenya Urban Support Programme
LREB	Lake Region Economic Block
LPPHUD	Lands Physical Planning, Housing and Urban Development
MSME	Micro small and medium enterprises
NSE	Nairobi Stock Exchange
NEMA	National Environment Management Authority
NHIF	National Hospital Insurance Fund
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NCD	New Castle Disease
NMT	Non-Motorized Transport
O&M	Operations and Maintenance
OPD	Outpatient Department
OSR	Own Source Revenue
PLWD	People Living with Disability
PFM	Public Finance Management
RVF	Rift Valley Fever
RPWET	Roads, Public Works, Energy and Transport
SAGA	Semi-Autonomous Government Agencies
SIBOWASCO	Siaya -Bondo Water and Sanitation Company
SCRH	Siaya County Referral Hospital
SVTSG	Subsided Vocational Training Support Grant
SDG	Sustainable Development Goals
TTI	Technical Training Institute
TCIS&A	Tourism Culture Information Sports and Arts
THS	Tractor Hire Services
UNESCO	United Nations Educational, Scientific and Cultural Organization
UHC	Universal Health Care
VAT	Value Added Tax
WENR	Water Environment and Natural Resources

Section One
County Strategic Blueprint

1.0 Overview of the County Fiscal Strategy Paper

The County Fiscal Strategy Paper (CFSP) is the first primary fiscal policy statement to be prepared under the *Nyalore* Government and which sets out the priority programmes the County Government intends to implement in the coming year and in the medium term. It also sets out the amount of funds it has dedicated towards those programmes to achieve its priorities within the context of limited resources. This policy document is driven by rallying call ***Nyalore*** (which means "it is possible or *inawezekana*").

In preparing the County Fiscal Strategy Paper, the County Government has aligned its development priorities with those of the national government as captured in the Budget Policy Statement (BPS)-2023. In addition, the CFSP draws its priorities from the Annual Development Plan (ADP) for the financial year 2023/24. Finally, CFSP incorporates views of other non-state actors, members of the public and other stakeholders.

1.1 Legal Basis

Section 117 of the PFM Act 2012 provides that the County Treasury shall prepare and submit the CFSP to the County Executive Committee (CEC) for approval. Subsequently, the approved CFSP is submitted to the County Assembly by the 28th of February each year. The County Assembly shall, not later than 14 days after the CFSP is submitted, table and discuss a report containing its recommendations and pass a resolution to adopt it with or without amendments. The County Executive Committee member for Finance and Economic Planning shall thereafter consider resolutions passed by County Assembly in finalizing the budget for the FY 2023/24 and the medium term.

The CFSP adheres to the fiscal responsibility principles and demonstrates prudent and transparent management of public resources in line with the Constitution and the Public Finance Management (PFM) Act, 2012.

1.2 Core Thematic Areas

The County Government will implement policies, reforms and promote investment in seven core thematic areas dubbed ***Legacy Projects*** that are expected to put the citizens of the County at the centre of their development. These thematic areas are:

1. Equipping health facilities, specifically modernizing and upgrading Siaya County Referral Hospital and ensuring availability of drugs in all health facilities across the county.
2. Investing in the provision of clean and reliable water supply powered by solar energy to the residents of Siaya while focusing on interventions to address climate change and sustainable development. This includes afforestation and conservation of the riparian areas.
3. Revamp agriculture through improved mechanization to increase acreage cultivated, provision of necessary inputs to farmers in the County to increase yield, food and nutrition security. This will include introduction of new crop varieties for arid and semi-arid areas, and new improved cash crops appropriate to Siaya County.
4. A focus to optimize the blue economy to derive benefits for the larger community, including sustainable development of the lakefront. An authority will be established to oversee and manage the investment opportunities at the lakefront.
5. Developing enterprise to shift the economic structure initially through agro-processing and agriculture led industrialization, for job creation and youth empowerment.
6. Establishment of village administrations in accordance with the provisions of County Government Act 2012 and enhancing public participatory approaches to decision-making.
7. Identifying, protecting and marketing important tourist attractions in Siaya and constructing a modern conference, cultural and arts centre in Siaya Town.

1.3 Outline of County Fiscal Strategy Plan

The document is organized around four sections namely:

Section one: Provides County Strategic Blueprint with respect to general and specific macroeconomic factors affecting both the National and County economies, programmes for achieving strategic blueprint objectives and an outline of the County Fiscal Strategy Plan (CFSP).

Section two: Provides recent economic developments and forward fiscal outlook with reviews on latest information on macroeconomic variables and the latest trends at Global, National and County economies.

Section three: Strategic priorities and interventions providing actionable decisions to give budgetary allocations, provide policy stance considering strategic blueprint objective and adherence to fiscal responsibility principles in terms of development and personnel emoluments.

Section Four: This section provides projected revenue streams in terms of equitable share, anticipated conditional grants and projected Own Source Revenue (OSR) for the (N+1) year and two outer financial years.

Section Five: This section provides a three-year rolling expenditure framework in terms of projected departmental expenditure for (N+1) year and two outer financial years.

Section Two

Recent Economic and forward Fiscal Outlook

2.0 Overview

This chapter analyses the recent economic developments globally and regionally with emphasis on the national and county economic trends to provide a basis for forecasting fiscal outlook for FY 2023/24 and beyond.

Recent Economic and Fiscal Overview

2.1 Global and Regional Economic Developments

The global economic outlook has become more uncertain reflecting the impact of the ongoing Russia-Ukraine conflict, elevated global inflation, lingering effects of COVID-19 pandemic and persistent supply chain disruptions. Global growth was expected to slow down to 3.2 percent in 2022 and 2.7 percent in 2023 from the earlier forecast of 2.9 percent. The USA economy is projected to slow down to 1.0 percent in 2023 from 1.6 percent in 2022, while Euro Area economies will slow down to 0.5 percent from 3.1 percent in 2022. The economy of China is projected to grow to 4.4 percent from 3.2 percent in 2022.

In Sub-Saharan Africa (SSA), growth is projected at 3.7 percent in 2023 from a growth of 3.6 percent in 2022. This outlook is weaker than the growth of 4.7 percent in 2021 reflecting lower trading partner growth, tighter financial and monetary conditions, and a negative shift in the commodity terms of trade. The devastating socio-economic impact of the COVID-19 pandemic will be felt for years to come unless smart investments in economic, societal and climate resilience ensure a robust and sustainable recovery of the global economy.

2.2 National Economy

The Kenyan economy demonstrated remarkable resilience and recovery from COVID-19 shocks due to the diversified nature of the economy and the proactive measures by the Government to support businesses. The economy expanded by 7.5 percent in 2021, a much stronger level from a contraction of 0.3 percent in 2020. The growth momentum continued in the first three quarters of 2022 averaging 5.5 percent despite subdued performance in agriculture and weaker global growth. The economy grew by 6.7 percent in the first quarter and 5.2 percent in the second quarter compared to a growth of 2.7 percent and 11.0 percent in similar quarters in 2021.

In the third quarter of 2022, the economy grew by 4.7 percent compared to a growth of 9.3 percent in the corresponding quarter of 2021. Most sectors posted slower 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. The growth in the third quarter of 2022 was mainly supported by the service sectors particularly Accommodation and Food Service activities, Wholesale and Retail trade, Professional, Administrative and Support services, Education, Financial and Insurance activities. The growth was however slowed by declines in activities of the Agriculture, Forestry and Fishing, and Mining and Quarrying sectors. The agriculture sector recorded a contraction of 0.6 percent in the third quarter of 2022 compared to a growth of 0.6 percent recorded in the corresponding quarter of 2021. The slowdown in performance of the sector was mainly attributed to unfavourable weather conditions that prevailed in the first three quarters of 2022. The decline was reflected in the decline in vegetable exports and milk intake by processors. The sector's performance was cushioned from a steeper contraction by improved production in fruits, coffee and cane. The performance of the industry sector slowed down to a growth of 3.4 percent in the third quarter of 2022 compared to a growth of 8.3 percent in the same period in 2021. This was mainly on account of normalization of activities in the manufacturing sub-sector after the strong recovery in 2021. Manufacturing subsector expanded by 2.4 percent in the third quarter of 2022 compared to 10.2 percent growth recorded in the same period of 2021. The growth in the industry sector was supported by positive growths in Electricity and Water Supply subsector and construction sub-sector which grew by 4.7 percent and 4.3 percent, respectively. The activities in the services sector normalized and remained strong in the third quarter of 2022 after a strong recovery in 2021 from the effects of COVID19 pandemic. The sector growth slowed down to 6.1 percent in the third quarter of 2022 compared to a growth of 11.4 percent in the third quarter of 2021. This performance was largely characterized by substantial growths in accommodation and food services, wholesale and retail trade, professional, administrative and support services and education sub-sectors.

Inflation Rate

The year-on-year inflation rate eased for the second consecutive month in December 2022 but was still above the 7.5 percent upper bound target. Inflation rate eased to 9.1 percent in December 2022 from 9.5 percent in November 2022 due to a decline in food prices as a result of favourable rains and declining international prices of edible oils. However, this inflation rate was higher than the 5.7 percent recorded in December 2021. Overall annual average inflation increased to 7.6 percent in December 2022 compared to the 6.1 percent recorded in December 2021.

Food inflation remained the main driver of overall year-on-year inflation in December 2022, contributing 5.5 percentage points, an increase, compared to a contribution of 3.2 percentage points in December 2021. The increase was mainly attributed to unfavourable weather conditions and supply chain constraints of key food items particularly maize grain (loose), fortified maize flour, cooking oil (salad), cabbages, beef with bones and mangoes. Fuel inflation also increased to contribute 2.2 percentage points to year-on-year overall inflation in December 2022 from a contribution of 1.7 percentage points in December 2021. This was mainly driven by increases in electricity prices due to higher tariffs and increased prices of kerosene/paraffin, diesel and petrol on account of higher international oil prices. The contribution of core (non-food non-fuel) inflation to year-on-year overall inflation has been low and stable, consistent with the muted demand pressures in the economy, supported by prudent monetary policy. The contribution of core inflation to overall inflation increased to 1.2 percentage points in December 2022 compared to 0.7 percentage points contribution in December 2021. While inflation has been rising and remains high in most economies, Kenya's inflation rate at 9.5 percent in November 2022 is much lower than that of some countries in the SSA region that have double digits' inflation.

Kenya Shilling Exchange Rate

The foreign exchange market was largely stable despite the tight global financial conditions attributed to strengthening of the US Dollar and uncertainties regarding the ongoing Russian-Ukraine conflict. However, in the recent past, the currency volatility has increased with the depreciation of the shilling. Due to the strong dollar, the exchange rate to the Kenya shilling like all world currencies has weakened to exchange at Ksh 122.9 in December 2022 compared to Ksh 112.9 in December 2021. Against the Euro, the Kenya shilling also weakened to Ksh 130.0 from Ksh 127.6 over the same period. The Kenyan Shilling strengthened against the Sterling Pound to Ksh 149.8 in December 2022 from Ksh 150.2 in December 2021.

In comparison to SSA currencies, the volatility of the Kenya Shilling exchange rate has remained relatively low at 8.9 percent against the US Dollar in November 2022. The depreciation rate of the Kenya Shilling was lower than that of Namibian Dollar, Botswana Pula, South African Rand and Malawi Kwacha. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports receipts.

Interest Rates

Monetary policy stance remains tight to anchor inflation expectations due to the sustained inflationary pressures, the elevated global risks and their potential impact on the domestic economy. In this regard, the Central Bank Rate was raised from 8.25 percent to 8.75 percent in November 2022. The interbank rate remained stable at 5.4 percent in December 2022 compared to 5.0 percent in December 2021 while the Treasury bills rates increased in December 2022 due to tight liquidity conditions. The 91-day Treasury Bills rate was at 9.4 percent in December 2022 compared to 7.3 percent in December 2021.

Commercial banks' lending rates remained relatively stable in October 2022 supported by the prevailing monetary policy stance during the period. The average lending rate was at 12.4 percent in October 2022 from 12.1 percent in October 2021 while the average deposit rate increased to 7.0 percent from 6.4 percent over the same period. Consequently, the average interest rate spread declined to 5.4 percent in October 2022 from 5.7 percent in October 2021. Broad money supply, M3, grew by 7.2 percent in the year to December 2022 compared to a growth of 6.1 percent in the year to December 2022. The growth in December 2022 was mainly due to an increase in domestic credit particularly net lending to the private sector. This growth was however curtailed by a decline in the Net Foreign Assets (NFA).

Net Foreign Assets (NFA) of the banking system in the year to December 2022 contracted by 51.9 percent, compared to a contraction of 21.0 percent in the year to December 2021. The decline in NFA partly reflected a reduction in reserves at the Central Bank due to scheduled debt service, and the increase in commercial bank's borrowing from foreign sources. Net Domestic Assets (NDA) registered a growth of 16.7 percent in the year to December 2022, an improvement compared to a growth of 12.4 percent over a similar period in 2021. The growth in NDA was mainly supported by resilient growth in credit to the private sector as business activities improved. Growth of domestic credit extended by the banking system to the Government moderated to 11.6 percent in the year to December 2022 compared to a growth of 28.3 percent in the year to December 2021. Lending to other public sector also declined during the period, mainly due to repayments by county governments and parastatals. Private sector credit improved to a growth of 12.5 percent in the 12 months to December 2022 compared to a growth of 8.6 percent in the year to December 2021. All economic sectors registered growth reflecting increased credit demand following improved economic activities. Strong credit growth was observed in the following sectors: mining, transport and communication, agriculture, manufacturing, business services, trade, and consumer durables. Monthly credit flows (month on month) have also improved from Ksh 24.8 billion in December 2021 peaking at Ksh 28.0 billion in December 2022. 88. The Government has launched the Hustlers Fund, as an intervention to correct market failure problems that led to predatory lending. This program aims to lift those at the bottom of the pyramid through structured products in personal finance that includes savings, credit, insurance and investment.

2.3 County Economic and Fiscal Overview

The average GCP for Siaya county has remained constant at 1.0 with marginal increases to 1.1 in 2019 and 2020 demonstrating a recovery of the county economy from Covid-19 shocks. The average GCP of neighbouring counties of Homabay, Busia, Kakamega and Vihiga is 1.2, 0.8, and 2.2

and 0.8 respectively indicating average performance of the county compared to its peers. The GCP contribution for Siaya County in monetary terms increased from 47,453 in 2013 to 106,259 in 2020. Agriculture, forestry and fisheries contributed 0.06 percent while the contribution of the service industry, manufacturing and other industries contributed 0.01, 0.01 and 0.02 percent respectively to the GCP (GCP report 2021).

Own Source Revenue (OSR) collection for FY 2021-22 registered impressive performance surpassing the target of Kshs 445.4 million by 0.934 million while year on year comparison also registered an increase of Kshs 110.08 million. Projected OSR for FY 2022/23 is Kshs 700 million while actual half year performance is less than half of the projected amount indicating possible failure to meet OSR target for the year. Sustained global and national inflationary pressure will continue to negatively affect private enterprises in the county and increase the cost of providing government services in FY 2023/24. The county government will focus on anchoring its economic transformation agenda on the agriculture sector. This requires allocation of additional resources to the sector for the transformation to be realized. The health sector will get the highest allocation by virtue of its complexity and resource requirement.

Section Three
Strategic Priorities and Interventions

3.0 Overview

Strategic priorities for FY 2023/24 have been drawn from development priorities as set out in the CIDP 2017-2022 carryovers, consideration of the CIDP 2023-27 (in development), Annual Development Plan 2023-2024, Sector Working Group Reports for FY 2023-2024 and Public Participation Proposals and a focus on the *Nyalore* manifesto. The priorities are linked to national objectives captured in the Budget Policy Statement 2023, draft MTP 4 2022-2027, Africa's 2063 Development Agenda and SDGs 2030. The *Nyalore* Administration will consider fiscal consolidation by reducing on micro projects and focusing on macro and high impact programmes and projects. These priorities will be anchored on three broad pillars namely: Enablers Pillar, Social Pillar and Economic Pillar.

These priority programmes and projects will be funded through transfers from national government, grants and donations, local revenue and through Public Private Partnerships (PPPs).

3.1 Enabler Pillar

This pillar consists of Governance and Administration; Public Works, Energy, Roads and Transport; Lands, Physical Planning, Housing and Urban Development; Siaya Municipality and the County Assembly Sectors.

3.1.1 Governance and Administration

The sector provides leadership, administrative and governance structures that are instrumental for public service delivery. It oversees formulation and implementation of public policies and regulations; intergovernmental relations; intervention programmes such as disaster management; sub-county, ward and village administration; County strategy, monitoring and evaluation; public participation in government decision making; ethics and integrity of public officers and human capital management and development. Public Service Board which is a Semi-Autonomous Government Agency also falls under the department.

Performance review for FY 2021/2022

In the period under review, the sector improved service delivery through construction of Governors office annex, renovation of Ugunja and Ukwala Sub-County offices, acquired office operational tools, equipment and machinery, adopted RRI in performance contracting, inaugurated the second county public service board.

In the review period the sector experienced the following challenges: partial operationalization of decentralized units; lack of county human resource policy; weak project cycle management, lack of a fleet management system, poor enforcement and compliance to County laws, poor implementation of public participation and Petitions Act, weak coordination of development partners and stakeholder activities, inadequate technical officers and operational tools, equipment and office space; lengthy time taken to handle court cases.

To mitigate the above challenges, the department will, develop and implement human resource policy and project cycle management; invest in operational tools, equipment, machinery and adequate office space; strengthen enforcement and compliance with County laws, coordination of development partners, decentralized units and fleet management; integrate ICT in service delivery and promote ADR in dispute resolution.

Departmental Priorities in FY 2023/2024

The department projects to spend **Kshs. 504,548,779** comprising Kshs. 478,932,329 and Kshs. 25,616,450 for recurrent and development expenditures respectively. Priority areas to be funded include:

1. Improve service delivery through remuneration to existing staffs, guided recruitment (village administrators and councils) and promotion at Kshs. 376,048,739
2. Provision of operational tools, equipment, machinery and development of enabling policies at Kshs. 164,534,621
3. Construction of 4 Ward Offices at Kshs 16,000,000.
4. Construction of Rarieda sub-county office at Kshs. 5,000,000
5. Renovation of Bondo Sub-County office at Kshs. 4,000,000
6. Digitalization of records and operations at Kshs 20,000,000

Office of the County Attorney

The office of County Attorney has a mandate of offering legal services and advice to the County Government, the office also prepares and reviews proposed legislations and policies to ensure compliance with the Constitutional and legal provisions. The Office further represents the County in all legal matters filed against the County Government.

Review of performance for FY 2021/22

The period under review, the office improved legal compliance through, recommendation of four Bills for assent by the Governor, settling two legal matters out of court, issuing twenty-three legal opinions and advisories to various departments, reviewed and recommended six contracts and agreements to various departments for execution.

In the period under review, the office experienced the following challenges: limited technical officers and operational tools, equipment, machinery and office space; weak project cycle management leading to increase in legal disputes; failure by departments to utilize ADR and lack of financial autonomy.

To address the challenges the office will promote use of Alternative Dispute Redress Mechanisms (ADRM) in settling disputes, lobby for financial autonomy, recruit additional staff and procure office machinery, strengthen project cycle management.

Sector Priorities in FY 2023/2024

The office projects to spend **Kshs. 31,844,379** for recurrent and no development expenditures. Priority areas to be funded include;

1. Improve service delivery through remuneration to existing staffs, recruitment and promotion at Kshs. 12,303,473.
2. Provision of operational tools, equipment, machinery and development of enabling policies at Kshs. 19,540,906.

3.1.2 Public Works, Energy, Roads and Transport

The sub-sector envisions a premier county in infrastructure and energy development. The sectors' mission is to provide quality road network system and efficiently utilize energy resource for sustainable socio-economic growth and development. The sector is mandated to: Construct and Maintain County Roads and Bridges; offer technical supervision of all County Public Works & Energy projects; regulate County Public Transport including ferries, jetties, airstrips and harbours; offer quality assurance in the built environment; ensure Standards Control and Maintenance of County Buildings and Energy projects.

Performance review for FY 2021/22

In the period under review, the department improved accessibility and mobility in the County by: opening 400km of new roads; maintaining 1,704km of existing roads; rehabilitating 1.3km of Yala Ring Road; upgrading to bitumen standards 2.18 km of Opoda-Bondo Township Road and constructing twelve box culverts across the county among others.

Departmental Priorities in FY 2023/24

The department projects to spend **Kshs. 609,215,159** comprising Kshs. 91,623,273 and Kshs. 517,591,886 for recurrent and development expenditures respectively. Priority areas to be funded include:

1. Tarmacking of selected link roads at Kshs. 105,000,000

2. Maintenance of roads across the County at Kshs. 223,895,466
3. Develop concepts for establishing a solar farm and electricity generation at Ndanu falls at Kshs 15,000,000
4. Construction of box culverts in the county at Kshs. 25,000,000
5. Construction of two jetties (Asembo bay and Usenge) at Kshs. 10,000,000
6. Restricted opening of roads across the County at Kshs. 30,000,000
7. Provision for pending bills at Kshs.86,696,420
8. Equipping material lab at Kshs. 10,000,000
9. Construction of energy centre at Kshs. 10,000,000
10. Acquisition of project vehicle at Kshs. 7,000,000
11. Enhance Human resource capacity through recruitment, promotion, Emolument and training at Kshs. 35,992,090
12. Routine operations, electricity bill for streetlights, maintenance and repair of buildings, equipment and machinery at Kshs. 55,631,183

3.1.3 Lands, Physical Planning, Housing and Urban Development

The department comprises: public land management, survey and mapping, physical planning, housing and urban development. It envisions efficiency in land and housing management for sustainable development through facilitation of administration and management of land, access to adequate and affordable housing.

Performance review for FY 2021/22

In the period under review the department improved development control through: preparation of Boro, Sega and Nyamonye land use plans; increased the strategic land bank for investment by acquiring 59.27 acres of land for biotech and research centre in East Yimbo, initiated institutionalize governance and management structures for urban areas by preparing Municipality charters for Bondo and Ugunja. The department also initiated classification of urban areas for conferment of Municipality and Town status. It also acquired assorted office equipment, furniture and computer accessories.

In the review period, the department faced the following challenges: inadequate technical staff and operational tools and equipment; limited awareness on land matters; multiple cases and lengthy litigation of land disputes; manual land records management system; unplanned and unsurveyed public land and trading centres.

To address the challenges, the department proposes the following measures: review staff establishment to inform recruitment and training on relevant specialized area, strengthen legal and policy formulation and approval processes, create awareness on land matters to the public, preparation of plans and survey of public lands and centres, digitize land information system, engage with relevant stakeholders on land litigation cases.

Departmental Priorities in FY 2023/24

The department projects to spend **Kshs. 325,097,961** comprising Kshs. 147,242,698 and Kshs. 177,855,263 for recurrent and development expenditures respectively. In addition, Siaya Municipality has been allocated Kshs.35, 338,428 and Kshs. 17,500,000 for recurrent and development expenditures respectively from the departmental ceiling. Priority areas to be funded within the department include:

1. Digitizing land records and equipping GIS laboratory at Kshs. 48,000,000
2. Processing of 10 title deeds for public land at Kshs. 3,000,000
3. Repossess 200 parcels of land and resolve 100 land disputes at Kshs. 2,500,000
4. Survey of 5 public plots at Kshs. 2,000,000
5. Preparation for Land use plans for Akala market and Madiany centre at Kshs. 10,000,000, Ugunja Municipality Land Use Plan at Kshs. 15,000,000 and Bondo Municipality land Use Plan at Kshs. 8,000,000
6. Renovation of 6 County Government houses in Yala and Ukwala respectively at Kshs. 6,000,000
7. Concept Development & Design of Eco-city at Lake Kanyaboli Lakefront at Kshs. 2,900,000
8. Purchase of land, design of Trailer Park at Sega Town at Kshs. 7,000,000
9. Improved access roads in Usenge town-1km at Kshs. 5,000,000
10. Construction of Governor and Deputy Governor residences at Kshs. 80,000,000
11. Enhance Human resource capacity through recruitment, promotion, Emolument and training at Kshs. 49.359,533
12. Routine operations, maintenance and repair of buildings, equipment and machinery at Kshs. 63,000,000

Under Municipality of Siaya

1. Finalization of Siaya Municipality Spatial/land Use Plan at Kshs. 9,000,000
2. Enhanced provision of Non-motorized Traffic (NMT) walkways and beautification at Kshs. 7,500,000
3. Marking of parking lanes in Siaya Town at Kshs. 1,500,000
4. Naming of Streets and Erection of road signage in Siaya Municipality at Kshs. 2,000,000
5. Acquisition of land for Municipal waste management at Kshs. 4,000,000

2. Mai... ery land at Kshs. 1,000,000

3. De... city through recruitment, promotion, Emolument and

...

4. C... city bill for streetlights, maintenance and repair of buildings,

5. ... y at Kshs. 30,359,533.

... s will need to have independent votes, boards and accounting officers

... ements of law and support from various development partners.

3.2 Economic Pillar:

The pillar seeks to move the economy up the value chain by improving the economic prosperity of the County through investments in Enterprise and Industrial Development; Financial Services; Tourism, Culture and Sports; and Agriculture, Irrigation, Food, Livestock and Fisheries.

3.2.1 Agriculture, Irrigation, Food, Livestock and Fisheries

This department executes its mandates through five directorates namely: Livestock Management and Development; Crop Management and Development; Fisheries, Management and Development; Veterinary Services and General Administration, Planning and Support Services.

Performance review for FY 2021/22

In the period under review, the department improved crop production and productivity through enhanced extension services, production of 16,643MT of sorghum and 88,965 MT of maize. The department improved animal health through vaccination of foot and mouth and lumpy skin disease in Ugenya and Alego-Usonga sub-counties. In fish production and productivity, the department developed seven fish handling infrastructure and a cold storage facility at Luanda Kotieno in collaboration with the National Government. The department also constructed and restocked seven public dams (Yenga, Mauna, Ochilo, Mwer, Uranga, Nyandera and Adhiri), 364 fishponds, and rehabilitated two water pans in partnership with Aquaculture Business Development Project (ABDP) and Kenya Climate Smart Agricultural Project (KCSAP).

Departmental Priorities in FY 2023/24

The department projects to spend Kshs. **812,566,096** comprising Kshs.327, 854,912 and Kshs. 484,711,184 for recurrent and development respectively. Priority areas to be funded will include:

1. Improve crop productivity through mechanization, land management, scale up of irrigation systems and provision of subsidized farm inputs (certified seeds and fertilizers) and tractor hire services targeting the various cadres of the citizens at Kshs.140,000,000
2. Promotion of Agro-processing in cotton, rice and fish at Kshs. 126,600,000
3. Promote dairy, poultry and apiculture production and marketing at Kshs. 38,000,000
4. Promotion of Agribusiness at Kshs.17,000,000
5. Promotion of fish breeds development in natural water bodies, development of fish handling infrastructure and sanitation facilities at the fish landing points and multiplication centres and provision of fishing equipment to selected groups at Kshs. 50,000,000
6. Promote animal health, food safety and animal product development at Kshs. 28,000,000
7. Development of Siaya trade show and exhibition centres at Kshs. 30,000,000

prosperity of
ial Services;

Management
evelopment;

ity through
maize. The
kin disease
department
Kotieno in
cked seven
ponds, and
nt Project

and Kshs.
nclude:
irrigation
nd tractor

)

handling
n centres

,000

ce delivery through remuneration to existing staffs, guided recruitment and
Kshs. 216,011,802
perational tools, equipment, machinery and development of enabling policies
343,110

l Industrial Development

its mandate around 6 Programmes namely: Trade and Promotions; Fair Trade mer Protection Services; Cooperatives Development and Management; Alcohol rket Solid Waste Management and General Administration, Planning and

w for FY2021/22

abilitated an office block, acquired assorted operational tools and equipment fo mpleted 4 Modern Market shades and 4 modern washrooms within the sheds, ast floodlights and 5 solar lamps; facilitated training of 60 entrepreneurs by the African Cooperation on Cross Border Trade, conducted annual verification of in use for trade to achieve 92% compliance, conducted 38 sensitization fora s with weighing and Measuring instruments for trade through gazette notice and inal investigations to completion. The department adopted 12 co-operative audit l 10 pre-cooperative trainings to societies, conducted four committee, conducted staff training, seven new cooperative societies were promoted for registration. l under review the department conducted nine awareness campaigns; 619 liquor ses were processed, 6 liquor outlet mapping were done and 9 enforcement lucted. In addition, the County collected and dumped a total of 54,000 tonnes various markets in Siaya County.

riod, the department faced the following challenges: inadequate operational tools, in maintenance of market infrastructure facilities due to concurrent function ruments, lack of gazetted dumpsites, emergence of new weighing and measuring of the Metrology Lab.

e above challenges, the department will Construct a Modern Metrology Lab roles and functions of maintenance of market infrastructure, acquire new weighing the appropriate and gazette dumping site for the Market solid waste and acquire [illegible] and office space

Departmental Priorities in FY 2023/24

The department projects to spend **Kshs. 355,840,011** comprising Kshs. 157,638,084 and Kshs. 198,201,927 for recurrent and development expenditures respectively. Priority areas to be funded include:

1. Development of market infrastructure across the county at Kshs. 102,901,927
2. Design of Industrial Park at Kshs. 5,000,000
3. Establishment of recycling plant for waste management at Kshs.25,000,000
4. Cooperative and Table-Banking Development and Management at Kshs. 50,000,000
5. Installation of portable Axel Load weighing machines at Kshs. 15,300,000
6. Improve service delivery through remuneration to existing staffs, guided recruitment and promotion at Kshs. 89,887,552
7. Provision of operational tools, equipment, machinery and development of enabling policies at Kshs. 67,750,532

3.2.3 Tourism, Culture, ICT and Arts

The sector executes its mandate around four directorates namely: Tourism, Culture and Arts; Information and Communication Technology; and General Administration, Planning and Support Services.

Performance review for FY 2021/22

During the period under review, the department documented hospitality establishments, tourism attractions and community based tourism initiatives with the purpose of development of marketing and promotional materials and also enhance collaboration with the tourism stakeholders, organized the Migwena community and Cultural festival with the objective of promoting traditional sports and cultural heritage and promote cohesion, participated in the 95th edition of the Kenya Music & Cultural Festival hosted in Kitui, successfully participated 9th edition of the Kenya Inter-County Sports and Cultural Association (KICOSCA) games.

Departmental Priorities in FY 2023/24

The department projects to spend **Kshs. 293,056,267** comprising Kshs. 87,056,267 and Kshs. 206,000,000 for recurrent and development expenditures respectively. Priority areas to be funded include:

1. Completion of Siaya Stadium at Kshs. 100,000,000
2. Construction of Migwena Stadium and Sports academy at Kshs. 60,000,000
3. Improving 12 sports facilities within the County at Kshs. 24,000,000

4. Development of Got Ramogi Forests and Kopolo grounds as festival grounds at Kshs. 8,000,000
5. Develop, market and brand Siaya County as a tourist destination point at Kshs. 10,000,000
6. Completion and equipping of Odera Akango cultural centres at Kshs.4,000,000
7. Improve service delivery through remuneration to existing staffs, guided recruitment and promotion at Kshs. 40,793,520
8. Provision of operational tools, equipment, machinery and development of enabling policies at Kshs. 46,262,747

3.2.4 Finance and Economic Planning

This sector provides policy direction in economic planning and financial management. It is organized around three programmes namely: Financial services; Economic planning services and General Administration, Planning and Support Services.

Performance review for FY 2021/22

In the period under review, the sector strengthened planning, policy and budgeting process through preparation of Annual Development Plans (ADP) for FY 2023/24; County Budget Review and Outlook Paper (CBROP) for FY 2021/22; County Fiscal Strategy Paper (CFSP) for FY 2022/23; budget estimates for FY 2022/23 and supplementary budget estimates for FY 2022/23. Coordinated collection of Own Source Revenue and surpassed the target of Kshs 445 million and prepared and submitted periodic statutory financial statements and reports on time.

During the period under review, the department faced challenges such as: inadequate technical officers, operational tools, equipment and office space; delay in policies, laws and planning, policy and budget approvals; unrealized Own Source Revenue (OSR) and low adoption of ICT in service delivery.

To mitigate the above challenges, the department will review the staff establishment with a view of recruiting technical staffs and acquisition of operational tools and office space; strengthening revenue enhancing measures and adopt of new technology in OSR and other service delivery

Departmental Priorities in FY 2023/24

In FY 2022/23 the sector projects to spend **Kshs. 782,147,673** comprising Kshs. 773,352,628 and Kshs. 8,795,045 for recurrent and development expenditures respectively. Priority areas proposed for funding includes;

1. Improve service delivery through remuneration to existing staffs, recruitment and promotion at Kshs. 382,646,908
2. Provision of operational tools, equipment, machinery and development of enabling

policies at Kshs. 386,343,659

3. Revenue automation at Kshs. 20,000,000
4. Construction of office annex (phased)/ archive at Kshs.8,795,045

3.3 Social Pillar

This pillar seeks to move the economy up the value chain by improving the economic prosperity of the County through investments in Health and sanitation: Education, youth affairs, gender, sports and social service, and Water, Environment and Natural Resources.

3.3.1 Health and Sanitation

The sector is organized around two divisions which are Public Health & Sanitation and Medical & biomedical services. It has an administrative unit that coordinates execution of the above functions. The sector executes its mandate through three Programs namely: Curative services; Preventive services; General administration, planning and support services.

Performance review for FY 2021/22

The Department realized improvements in key indicators like Children under one fully Immunized (FIC) which improved from 91% in 2021/22 to 93% in 2022/2023. Proportion of pregnant women completing 4th Ante Natal Clinic from 63% to 68%, proportion of children under 5 who were stunted improved from 23% to 19%. Meanwhile Skilled Birth attendants was at 96% against a target of 90%. Proportion of HIV infected persons among the County's total population by sex male 7.4% and women 12 %. Percentage of clients Receiving Antiretroviral among those eligible is at 95%. Proportion of clients screened for cancer is at 18.3%. Proportion of Women using modern Contraceptive at 40%. The Department recruited a total of 74 Health workers.

In the period under review, the department faced the following challenges: inadequate technical staffs, partner transition anxiety, delayed funds disbursement by the donor and staff turnover affects service delivery at facilities.

To mitigate the above challenges, the department will review staff establishment to inform recruitment and training on relevant specialized areas, improve and expand infrastructure through rehabilitation, construction and equipping of required diagnostic and specialized units within the existing health facilities to provide comprehensive outpatient and inpatient health services (including MNCH services), prioritize operationalization of newly and rehabilitated health facilities, and strengthen the preventive health care services.

Departmental Priorities for FY 2023/2024

In FY 2022/23 the sector projects to spend **Kshs. 2,406,976,398** comprising Kshs. 2,206,590, (excluding grants) and Kshs. 200,386,064 for recurrent and development expenditures respectiv Priority areas proposed for funding includes:

1. Procurement of assorted medical equipment for 10 Hospitals and 30 health centres dispensaries at Kshs. 90,000,000
2. Training of Health Care Workers on Non-Communicable Diseases at Kshs. 3,000,000
3. Procurement of 2 fully equipped ambulances and equipping existing 6 ambulances w modern equipment and machines at Kshs. 32,000,000
4. Construction and equipping of Bondo sub County morgue with cold rooms a Kshs.50,000,000
5. Construction of maternity wing at Yala Sub County Hospital at Kshs. 15,000,000
6. Construction of ablution blocks at Madiany and completion of maternity wing (including plumbing works) at Ukwala SCH at Kshs.10,000,000
7. Construction of Siaya County Referral hospital complex (phased) at Kshs.50,000,000
8. Procurement of medical records (HMIS tools) at Kshs. 10,000,000
9. Purchase of commodities (Pharmaceutical and Non-Pharmaceutical) at Kshs. 300,000,00(
10. Procurement of 20 KEPI fridges for health Centre's and dispensaries at Kshs 6,000,000
11. Procurement of data collection forms (registers and reporting tools) for all level 1,2, hospitals at Kshs. 20,000,000
12. Training of Community Health Volunteers (CHVs) on Basic First Aid Skills Kshs.10,000,000
13. Drilling a borehole and improvement of Urenga Health Centre at Kshs. 10,000,000
14. Provision for remuneration for current staff establishment, projected recruitment and ann increments at Kshs. 1,537,198,361
15. Provisions for operation, maintenance of machines, equipment and buildings at K 651,391,973
16. Provision for pending bills for development at Kshs. 43,554,008

3.3.2 Water, Environment and Natural Resources

This sector executes the functions of water resources development and management as wel natural resources conservation and management. It has an administrative unit that coordinates execution of the above functions. The sector envisions sustainable access to safe water sanitation in a clean and secure environment.

Performance review for FY 2023/24

During the period under review, the sector Constructed and improved 47 water pans; Protected 91 water springs; Rehabilitated and Augmented 79 water supplies; Constructed 17 shallow wells and Constructed 116 Boreholes; established 21 tree nurseries and 28 woodlots; 4 of the existing staff trained while 3 additional staff were recruited.

Departmental Priorities for FY 2023/24

In FY 2022/23 the sector projects to spend **Kshs. 465,537,836** comprising Kshs. 71,067,977 and Kshs. 394,469,859 for recurrent and development expenditures respectively. Priority areas proposed for funding includes;

1. Last mile connectivity of Ugunja-Sega-Ukwala at Kshs. 60,000,000
2. Co-funding for Siaya water and sanitation project (Dorcas Aid Maji Milele and CGS) for Got Matar and West Uyoma water project at 12M
3. Completion of desilting and rehabilitation of 4 Water pans at Kshs. 6,521,078
4. Completion of Mageta and Ahono Sinaga water Supply at Kshs. 11,825,216
5. Completion of Dienya dispensary borehole and pipeline extension to Apuoyo Market centre at Kshs. 2,000,000
6. Proposed Solarization and expansion of Hawinga Water Project at Kshs. 10,000,000
7. Pipeline Extension from Nyandiwa -Usenge to Obambo – Kubar at Kshs. 4,000,000
8. Rehabilitation of 3 boreholes namely, Tula Kakan, Ulafu and Umala at Kshs. 6,000,000
9. Connecting 2 Public institutions to the main sewer trunk at Kshs. 2,000,000
10. Rehabilitation and expansion of Usire water project at Kshs. 8,500,000
11. Rehabilitation of South Sakwa water project (Olago) at Kshs. 6,000,000
12. Rehabilitation of degraded mining areas in Nyangoma Sub locations at Kshs. 3,000,000
13. Expansion of Wich lum water project at Kshs. 12,000,000
14. Drilling and equipping of Dr. Ida Odinga Sec. school (Asango) with solar at Kshs. 4,000,00
15. Development support to SIBOWASCO at Kshs. 10,000,000
16. Development of County Water Master Plan at Kshs. 3,000,000
17. Mapping of Natural Resources in Siaya County at Kshs. 2,000,000
18. Rehabilitation of degraded riparian hotspots along River Yala at Kshs. 1,000,000
19. Ward based projects (see annex) at Kshs. 230,623,565
20. Afforestation campaigns to increase the tree/forest cover Kshs. 50,000,000

Section Four
Fiscal Policy and Budget Framework

4.0 Overview

In the previous fiscal years, priority was given to the implementation of projects at the micro level to unlock the economic potential in the wards. Going forward, and in order to create a bigger impact, the County Government will put greater emphasis on completing the on-going transformative projects, operationalize the completed projects, scale down on new projects, enhance human resource operations and routine maintenance of machines, equipment and buildings.

This County Fiscal Strategy Paper provides for capital investment, human capital development and operations and maintenance. Towards this, the County will mobilise resources within the framework of Public Finance Management Act 2012 to finance its development priorities for the financial year.

During the FY 2023-2024 the County will adhere to fiscal responsibility principles set out in section 107 of the PFMA, 2012. To this end development expenditure will be set at a minimum of 30 percent of the total revenue and gradually reduce on non-critical recurrent expenditures. These will be realized by ensuring:

a) Spending is directed towards most critical needs of the County
b) Departmental priorities focus on completion of on-going projects and operationalization of completed projects
c) Departmental requests for resources must be realistic
d) More outcomes and outputs are achieved with existing or lower level of resources
e) Enhanced capacity of staff in budget execution and reporting through training
f) Enactment and implementation of Finance Acts

4.1 Fiscal Policy Status

The CFSP-2023 has prioritized departments based on the most critical needs to be met for the people of Siaya. In the fiscal year 2023/24 emphasis will be on health sector to ensure access to quality and affordable health care, revamping agricultural productivity through mechanisation, yield improvement through better quality inputs, extension services, trainings, empowerment and creation of safety nets for most vulnerable members of the society, enhancing local revenue collection through improved infrastructural networks, improved roads and waste water management, increased access to clean water for both human and animal consumption, strengthened decentralized units through operationalization of village administrations, adopting and establishing affordable housing units and developing and promoting Siaya as a tourist destination.

1.2 Budget Framework

The County budget in the financial year 2023/24 will be financed by two major streams namely: national government transfers comprising equitable share and conditional grants; and OSR.

1.2.1 Projected Revenue for FY 2023/24

The projected revenue for the financial year 2023/24 is Kshs. 8,229,190,606 comprising equitable share of Kshs. 7,254,856,008; grants of Kshs. 274,334,598 and OSR of Kshs. 700,000,000. This allocation is expected to increase to Kshs. 9,052,109,667 and Kshs. 9,957,320,634 for financial years 2024/25 and 2025/26 respectively as per the table 1 below:

Table 1: Summary of projected revenue in FY 2023/24 -2025/26

Revenue Stream	Baseline Estimates 2022-23	Projections		
		2023/24	2024/25	2025/26
SINGLE BUSINESS PERMIT	134,497,871	133,499,637	146,849,601	161,534,561
MARKET FEES	50,452,789	50,452,789	55,498,068	61,047,875
BODA-BODA	12,025,000	12,025,000	13,227,500	14,550,250
WEIGHTS AND MEASURES	1,000,000	1,000,000	1,100,000	1,210,000
TRADE INCOME (AUDIT FEE)	749,250	749,250	824,175	906,593
ADVERTISEMENT CHARGES	10,000,000	10,000,000	11,000,000	12,100,000
LIQUOR CHARGES	15,000,000	15,000,000	16,500,000	18,150,000
BUS PARK/PARKING FEES	31,877,359	31,877,359	35,065,095	38,571,604
GRADER	9,200,000	9,200,000	10,120,000	11,132,000
FIRE INSPECTIONS FEES	1,000,000	1,000,000	1,100,000	1,210,000
PLAN APPROVAL(Engineers)	17,563,104	17,563,104	19,319,414	21,251,356
PARKING FEES	6,000,000	6,000,000	6,600,000	7,260,000
COUNTY HALL HIRE	140,000	140,000	154,000	169,400
FISH CESS	10,000,000	10,000,000	11,000,000	12,100,000
SLAUGHTER FEES	1,473,200	1,473,200	1,620,520	1,782,572
AGRICULTURAL INCOME	7,921,600	7,921,600	8,713,760	9,585,136
SUGAR CESS	11,000,000	11,000,000	12,100,000	13,310,000
VETERENARY SERVICES	2,395,235	2,395,235	2,634,759	2,898,234
TRACTOR HIRE SERVICE (THS)	80,753,415	80,753,415	88,828,757	97,711,632
CATTLE AUCTION	5,000,000	5,000,000	5,500,000	6,050,000
PLAN APPROVALS (Physical Planning)	15,000,000	15,000,000	16,500,000	18,150,000
TRANSFER FEES	2,600,000	2,600,000	2,860,000	3,146,000
PLOT RATES	13,000,000	13,000,000	14,300,000	15,730,000
PLOT RENTS	14,155,575	14,155,575	15,571,133	17,128,246
GROUND RENTS	1,000,000	1,000,000	1,100,000	1,210,000
HOUSE RENT	4,600,000	4,600,000	5,060,000	5,566,000
KIOSKS/STALLS RENT	13,025,075	13,025,075	14,327,583	15,760,341
BURIAL FEES/SYNAGE	100,000	100,000	110,000	121,000
SAND CESS/QUARRY	500,000	500,000	550,000	605,000
CLEARANCE CERTIFICATE	1,500,000	1,500,000	1,650,000	1,815,000
SITE FEES	1,303,000	1,303,000	1,433,300	1,576,630
SURVEY FEE	1,500,000	1,500,000	1,650,000	1,815,000
PRIVATE ESTATE FEES	130,000	130,000	143,000	157,300
FIF	107,000,700	107,000,700	117,700,770	129,470,847
PUBLIC HEALTH	2,160,909	2,160,909	2,377,000	2,614,700
PUBLIC HEALTH-Plan approvals	3,000,000	3,000,000	3,300,000	3,630,000
LINDA MAMA	60,578,536	60,578,536	66,636,390	73,300,029
NHIF/CAPITATION	50,158,116	50,158,116	55,173,928	60,691,320
NEMA	200,000	200,000	220,000	242,000
IMPOUNDING FEES	1,100,000	1,100,000	1,210,000	1,331,000
SCHOOL FEES	337,500	337,500	371,250	408,375
SUB-TOTAL-LOCAL REVENUE (OSR)-A	**700,998,234**	**700,000,000**	**770,000,000**	**847,000,000**
Equitable Share-B	**6,966,507,531**	**7,254,856,008**	**7,980,341,609**	**8,778,375,770**
Kenya Climate Smart Agriculture Project (KCSAP)	75,368,050	75,368,050	82,904,855	91,195,341
Agricultural Sector Development	14,538,059	14,538,059	15,991,865	17,591,051

Revenue Stream	Baseline Estimates 2022-23	Projections		
		2023/24	2024/25	2025/26
Support Project (ASDSP)				
Lease of medical equipment	110,638,298	110,638,298	121,702,128	133,872,341
Financing Locally Led Climate Action (FLLoCA)	11,000,000	11,000,000	12,100,000	13,310,000
DANIDA	12,206,100	12,206,100	13,426,710	14,769,381
Kenya Devolution Support Project (KDSP)	0	0	0	0
Transforming Health Systems for universal care (THS)	0	0	0	0
Equalization Fund	34,946,152	34,946,152	38,440,767	42,284,844
Transfer for Library services	0	15,637,939	17,201,733	18,921,906
Conditional Grant-C	**258,696,659**	**274,334,598**	**301,768,058**	**331,944,864**
Balances brought forward (BF)-D	**697,043,128**	**0**	**0**	
Total Revenue=(A+B+C+D)	**8,623,245,552**	**8,229,190,606**	**9,052,109,667**	**9,957,320,634**

4.2.2 Projected Equitable share for FY 2023/24

In the financial year 2023/24 the County Government is likely to receive Kshs. 7,254,856,008 from the National Government as equitable share. This is a projection captured in the approved Budget Policy Statement (BPS)-2023. This projection is further enhanced at 10 percent for the subsequent fiscal years to stand at Kshs. 7,980,341,609 and Kshs. 8,778,375,770 for financial years 2024/25 and 2025/26 respectively

4.2.3 Projected Conditional Grants for FY 2023/24

In the financial year 2023/24 the County Government has projected conditional grant allocation at Kshs. 274,334,598. This allocation includes the national government transfers for library services at Kshs. 15,637,939. This allocation is projected to increase by 10 percent to Kshs. 301,768,058 and Kshs. 331,944,864 for 2024/25 and 2025/26 respectively

4.2.4 Own Source Revenue Projections

In the financial year 2023/24 the County Government has projected its collection from local sources at Kshs. 700,000,000 a slight reduction of Kshs. 998,234 from the base fiscal year of 2022/23. T projection for two outer years will be Kshs. 770,000,000 and Kshs. 847,000,000 for 2024/25 and 2025/26 respectively.

Section Five
Medium Term Expenditure Framework

5.0 Overview

Medium Term Expenditure Framework (MTEF) is a three-year rolling expenditure horizon on which the County Government budget runs. The medium-term fiscal framework for the FY 2023/24 is set based on macroeconomic policy framework as set out in Section two and sectoral priorities in Section Three. Sectoral expenditure ceilings have been set based on critical needs the *Nyalore* Administration seeks to fix in the first year. The proposed departmental ceilings have been projected based on the departmental allocations for the financial year 2022/23.

5.1 Resource Allocation Criteria

The apportioning of resources to various programmes and projects in various sectors for both recurrent and development expenditures will be based on certain criteria outlined below. In the recurrent expenditure category, which is projected at 65.41 percent of the total budget, the following criteria will be apply:

1. Provision for non-discretionary expenditures such as salaries and associated statutory deductions;
2. Provision for pending bills settlement;
3. Provision for critical recurrent items/commodities eg health commodities and utilities;
4. Provision for operational tools and equipment.

In the Development expenditure category, which is projected at 34.59 percent, the following criteria will apply:

1. Prioritize completion, equipping and operationalization of ongoing projects;
2. Provision for pending bills settlement;
3. Focus on restricted macro and high impact priorities.

5.2 Projected Total Expenditure

The County Government total expenditure in financial year 2023/24 is projected at Kshs. 8,229,190,606 which is equivalent to total projected revenue thus the County Government will be preparing and implementing a balance budget. This expenditure comprises projected recurrent at Kshs. 5,382,806,920 (65.41 percent) and Kshs. 2,846,383,686 (34.59 percent) for projected development expenditures

5.2.1 Recurrent Expenditure

Recurrent expenditure comprises Personnel Emoluments (PE) and Operations and Maintenance (O&M).

The projected recurrent expenditure is projected at Kshs. **5,382,806,920** translating to 65.41 percent of total projected expenditure with PE at Kshs. 3,321,200,416 (40.36 percent) and Kshs. 2,061,606,504 (25.05 percent) for O&M. This allocation is expected to grow by 10 percent to Kshs. 5,921,087,612 and Kshs. 6,513,196,373 for financial years 2024/25 and 2025/26 respectively as shown in the table below:

Table 2: Projected Recurrent Expenditure in FY 2023/24 -2025/26

Department	Baseline Estimates PE 2022/23	Projected PE 2023/24 CFSP	Baseline Estimates O&M 2022/23	Projected O&M 2023/24 CFSP	Baseline Total 2022/23	Projected 2023/24 CFSP	Projections	
							2024/25	2025/26
County Assembly	380,219,901	391,626,498	528,048,979	278,048,979	908,268,880	669,675,477	736,643,025	810,307,327
Governance and Administration	316,702,460	326,203,534	210,467,641	152,728,795	527,170,101	478,932,329	526,825,562	579,508,118
Finance and Economic Planning	371,501,852	382,646,908	571,105,720	390,705,720	942,607,572	773,352,628	850,687,891	935,756,680
Agriculture, Irrigation, Food, Livestock & Fisheries	209,720,196	216,011,802	76,843,110	111,843,110	286,563,306	327,854,912	360,640,403	396,704,444
Water, Environment & Natural Resources	27,244,172	28,061,497	54,006,480	43,006,480	81,250,652	71,067,977	78,174,775	85,992,252
Education, Youth Affairs, Gender, Sports & Social Services	141,039,265	145,270,443	169,163,049	94,163,049	310,202,314	239,433,492	263,376,841	289,714,525
County Health Services	1,511,843,069	1,557,198,361	655,267,425	649,391,973	2,167,110,494	2,206,590,334	2,427,249,367	2,669,974,304
Lands, Physical Planning, Housing and Urban Development	44,038,382	45,359,533	101,883,165	101,883,165	145,921,547	147,242,698	161,966,968	178,163,665
Roads, Public Works, Energy and Transport	34,943,777	35,992,090	55,631,183	55,631,183	90,574,960	91,623,273	100,785,600	110,864,160
Enterprise and Industrial Development	87,269,468	89,887,552	67,750,532	67,750,532	155,020,000	157,638,084	173,401,892	190,742,082
Tourism, Culture, ICT and Arts	39,605,359	40,793,520	65,894,641	46,262,747	105,500,000	87,056,267	95,761,894	105,338,083
County Attorney	11,945,119	12,303,473	19,540,906	19,540,906	31,486,025	31,844,379	35,028,817	38,531,699
County Public Service Board	48,393,403	49,845,205	13,257,628	11,805,826	61,651,031	61,651,031	67,816,134	74,597,748
Sub-Total	3,224,466,423	**3,321,200,416**	**2,588,860,459**	2,022,762,465	**5,813,326,882**	5,343,962,881	**5,878,359,169**	6,466,195,086
Grants				**38,844,039**		**38,844,039**	**42,728,443**	**47,001,287**
Total	3,224,466,423	**3,321,200,416**	**2,588,860,459**	**2,061,606,504**	**5,813,326,882**	**5,382,806,920**	**5,921,087,612**	**6,513,196,373**

5.2.2 Development Expenditure

Development expenditure for the financial year 2023/24 comprises both executive and ward-based development expenditures and is projected to be **Kshs. 2,846,383,686** accounting for 34.59 per cent of total expenditure. This allocation is projected by 10 percent in the two outer years of 2024/25 and 2025/26 at Kshs. 3,131,022,055 and Kshs. 3,444,124,260 respectively as per the table below:

Table 3: Projected Development Expenditure for FY 2023/24-2025/26

Department	Baseline Development Estimates 2022/23	Projected Development Estimates-2023/24 CFSP	Projections	
			2024/25	2025/26
County Assembly	411,888,469	189,850,221	208,835,243	229,718,767
Governance and Administration	10,500,000	25,616,450	28,178,095	30,995,905
Finance and Economic Planning	36,946,152	8,795,045	9,674,550	10,642,004
Agriculture, Irrigation, Food, Livestock & Fisheries	345,830,950	484,711,184	533,182,302	586,500,533
Water, Environment & Natural Resources	330,019,142	394,469,859	433,916,845	477,308,529
Education, Youth Affairs, Gender, Sports & Social Services	343,834,465	207,415,228	228,156,751	250,972,426
County Health Services	321,457,940	200,386,064	220,424,670	242,467,137
Lands, Physical Planning, Housing and Urban Development	93,171,901	177,855,263	195,640,789	215,204,868
Roads, Public Works, Energy and Transport	673,940,099	517,591,886	569,351,075	626,286,182
Enterprise and Industrial Development	225,437,182	198,201,927	218,022,120	239,824,332
Tourism, Culture, ICT and Arts	30,149,715	206,000,000	226,600,000	249,260,000
County Attorney	-	0	0	0
County Public Service Board	-	0	0	0
Sub-Total	**2,823,176,015**	**2,610,893,127**	**2,871,982,440**	**3,159,180,684**
Grants	**0**	**235,490,559**	**259,039,615**	**284,943,576**
Total	**2,823,176,015**	**2,846,383,686**	**3,131,022,055**	**3,444,124,260**

5.3 Sectoral Ceilings

The total resource envelop for FY 2023/24 is projected to be **Kshs.8, 229,190,606** comprising Kshs. **5,382,806,920** and (65.41 percent) has been allocated for recurrent expenditure which comprises personnel emolument at **Kshs. 3,321,200,416** (40.36 percent) and other office operations & maintenance at **Kshs. 2,061,606,504** (25.05 percent) and **Kshs. 2,846,383,686** (34.59 percent) has been allocated for development expenditure as shown in the table below:

Table 4: Projected ceiling for FY 2023/24-2025/26

Department	Baseline Estimates 2022/23	CFSP PE-2023/24	CFSP O&M-2023/24	CFSP Recurrent - 2023/24	CFSP Development -2023/24	CFSP Total-2023/24	Projections	
							2024/25	2025/26
County Assembly	1,408,119,101	391,626,498	278,048,979	669,675,477	189,850,221	859,525,698	945,478,268	1,040,026,095
Governance and Administration	616,549,529	326,203,534	152,728,795	478,932,329	25,616,450	504,548,779	555,003,657	610,504,023
Finance and	770,147,462	382,646,908	390,705,720	773,352,628	8,795,045	782,147,673	860,362,440	946,398,684

Department	Baseline Estimates 2022/23	CFSP PE-2023/24	CFSP O&M-2023/24	CFSP Recurrent -2023/24	CFSP Development -2023/24	CFSP Total-2023/24	Projections	
							2024/25	2025/26
Economic Planning								
Agriculture, Irrigation, Food, Livestock &Fisheries	674,180,311	216,011,802	111,843,110	327,854,912	484,711,184	812,566,096	893,822,706	983,[illegible]
Water, Environment and Natural Resources	436,020,511	28,061,497	43,006,480	71,067,977	394,469,859	465,537,836	512,091,620	563,300[illegible]
Education, Youth Affairs, Gender and Social Services	648,135,933	145,270,443	94,163,049	239,433,492	207,415,228	446,848,720	491,533,592	540,686[illegible]
County Health Services	2,149,091,523	1,557,198,361	649,391,973	2,206,590,334	200,386,064	2,406,976,398	2,647,674,038	2,912,4[illegible]
Lands, Physical Planning, Housing and Development	264,964,736	45,359,533	101,883,165	147,242,698	177,855,263	325,097,961	357,607,757	393,368[illegible]
Roads, Public Works, Energy and Transport	636,183,644	35,992,090	55,631,183	91,623,273	517,591,886	609,215,159	670,136,675	737,150[illegible]
Enterprise and Industrial Development	371,721,927	89,887,552	67,750,532	157,638,084	198,201,927	355,840,011	391,424,012	43[illegible]
Tourism, Culture, Sports and Arts	143,781,609	40,793,520	46,262,747	87,056,267	206,000,000	293,056,267	322,361,894	354,598[illegible]
County Attorney	0	12,303,473	19,540,906	31,844,379	0	31,844,379	35,028,817	38,531[illegible]
County Public Service Board	0	49,845,205	11,805,826	61,651,031	0	61,651,031	67,816,134	74,597,[illegible]
Sub-Total	**8,118,896,286**	**3,321,200,416**	**2,022,762,465**	**5,343,962,881**	**2,610,893,127**	**7,954,856,08**	**8,750,341,609**	9,625,37[illegible]
Grants	**0**		**38,844,039**	**38,844,039**	**235,490,559**	**274,334,598**	301,768,058	331,944[illegible]
Total	**8,118,896,286**	**3,321,200,416**	**2,061,606,504**	**5,382,806,920**	**2,846,383,686**	**8,229,190,606**	**9,052,109,667**	**9,957,320[illegible]**
% of Budget		40.36	25.05	65.41	34.59			

REPUBLIC OF KENYA

COUNTY GOVERNMENT OF SIAYA

FINANCE AND ECONOMIC PLANNING

2023 MEDIUM TERM DEBT MANAGEMENT STRATEGY

FEBRUARY 2023

TABLE OF CONTENT

ABBREVIATIONS

CoK	Constitution of Kenya
PFMA	Public Finance Management Act
PDMO	Public Debt Management Office
MTDS	Medium-Term Debt Management Strategy
DLA	Defunct Local Authorities
CRA	Commission on Revenue Allocation
IBEC	Intergovernmental Budget and Economic Council
GDP	Gross Domestic Product
MOU	Memorandum of Understanding
CIDP	County Integrated Development Plan
ADP	African Development Bank
IMF	International Monetary Fund
CDMU	County Debt Management Unit
DMAC	Debt Management Advisory Committee
DMU	Debt Management Unit
DMAC	Debt Management Advisory Committee
CALC	County Asset and Liabilities Committee
IGRTC	Inter- Governmental Relation Technical Committee

FOREWORD

The Constitution of Kenya (CoK) 2010 and the Public Finance Management Act (PFMA) 2012, provide the requisite framework to ensure counties continue with prudent debt management. The PFMA, 2012 has provision for the National Treasury to establish a Public Debt Management Office (PDMO) that will assist in analysis and processing of debt information and borrowing on behalf of counties.

Preparation of the Medium -Term Debt Management Strategy (MTDS) is provided for under section 123 of the PFMA. The document provides guidance to the county government on the amount and type of borrowing to undertake over the medium term.

This Paper elaborates county debt management strategies for the period, 2023/24-2025/26 and takes note of the accumulated pending bills as at 25th February 2023 amounting to Kshs 500,609,922.69. In addition, the paper also puts in place mechanisms for county debt management framework, which if realized, will provide for prudent debt management. The institutional framework envisaged will ensure that both the county executive and the county assembly play their respective roles within the ambits of Section 9 (1) and (2) of the County Governments Act, 2012.

COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE & ECONOMIC PLANNING
COUNTY GOVERNMENT OF SIAYA
Date...

Hon. Benedict Abonyo Omollo

CECM- Finance and Economic Planning

ACKNOWLEDGEMENT

This is the first Medium Term Debt Management Strategy to be prepared and tabled in the county Assembly for the 2023-2027 plan period in line with the provisions of section 123 of the PFMA 2012.

Notably, preparation of this document was premised on a robust stakeholder engagement and the entire county leadership playing a leading role. I therefore wish to recognize the following leaders for their tireless contributions in preparation of this document.

To begin with, my gratitude goes to the County Executive Committee led by H.E. the Governor for providing leadership, vision, and resources required for preparation of this document. Secondly, all the stakeholders who provided input during the preparation of this document are highly appreciated. Finally, my gratitude goes to the secretariat for working tirelessly to ensure timely collection and compilation of information incidental to the preparation of this paper.

CHIEF OFFICER
FINANCE & ECONOMIC PLANNING
COUNTY GOVERNMENT OF SIAYA

Jackline Ouma Odinga

Ag. Chief Officer-Finance and Economic Planning

CHAPTER ONE
PUBLIC DEBT MANAGEMENT

1.0 Introduction

Section 123 of the Public Finance Management Act (PFMA) 2012 requires that on or before the 28th of February in each year, the County Treasury shall submit to the County Assembly a statement setting out the debt management strategy of the county government over the medium term regarding its actual and potential liabilities in respect of loans and its plans for dealing with those liabilities. After submission to the assembly, the County Executive Committee Member (CECM) for finance is required to publish and publicize the statement and submit a copy to the Commission on Revenue Allocation (CRA) and the Intergovernmental Budget and Econom[illegible] Council (IBEC).

1.1 Description of County Debt Management Strategy

Public Debt Management is the process of establishing and executing a strategy for the management of Government debts in order to raise required amount of resources/funding to meet any other obligation.

County Debt Management Strategy (CDMS) is a framework that will guide the County Government in ensuring that debt levels are affordable and sustainable.

1.2 Objective for Public Debt Management

The main objective of this strategy is to ensure that the financing needs and payment obligations of the county government are met at the lowest possible cost over the medium to long term and are consistent with a prudent degree of risk.

The strategy aims at minimizing medium to long-term costs and limiting risk in the public debt portfolio to provide an optimal and sustainable composition of public debt.

In summary, the strategy seeks to balance cost and risk of public debt and take account of demand constraints. It also seeks to institutionalize the production of a debt strategy publication as provided for in the PFMA, 2012.

1.3 Scope of the Strategy

This County Debt Management Strategy is for the medium term 2023/24-2025/26 and aims at providing policy direction that will facilitate County Government access to financial markets as well as support future development of a well-functioning vibrant debt policy over the medium term.

CHAPTER TWO
COUNTY PUBLIC DEBT

2.0 Introduction

The County Public debt portfolio of the county government comprises all financial obligations, attendant to loans raised and security issued by the County. The debt policy guides the County in determining, establishing and upholding legal and institutional framework that are in place to guide borrowing and addresses both external and domestic debt management within the County.

The County Government in its operations will accumulate pending bills which will accrue due to huge roll-overs occasioned by late procurement process during financial years, erratic exchequer releases affecting the projected cash flow and continuous non-realization of local revenue target due to global pandemic, political interference and government policies leading to non-payment of County Government suppliers.

2.1 County Public Debt Portfolio

The County Government of Siaya has outstanding pending bills amounting to Kshs.500,609,922.69 as at 25th February 2023 and is committed to retire the bills through annual budget process as it enhances Own Source Revenue to meet short term gaps in cash flow.

The pending bills comprise balances owed to contractors and suppliers of goods and services as shown in table 1 below:

Table 1: Summary of accumulated pending bills as at 25th February 2023

Description	Pending Bills as at 30th June 2022	Outstanding Pending Bills as at 25th February 2023
Recurrent	368,045,628.00	289,763,490.44
Development	450,757,604.47	210,846,432.29
Salary By-products	193,152,834.00	-
Total	**1,011,956,066.47**	**500,609,922.73**

Source: County Treasury

The County Government has adopted the following strategies to reduce and curb these debts in future:

1. Verification of outstanding claims to prevent payment of fraudulent claims through formation of pending bills committee and occasionally engaging the Office of Auditor General (OAG).
2. Providing budgetary allocations for pending bills within departments.
3. Timely remittances of statutory deductions and other obligation to avert any interest and penalties due to late remittance or non-remittance.

4. Adhering to budgetary provisions during execution of programmes and projects to avert expenditure outside the budget.

The County Government of Siaya in financial year 2023/24 plans to incur public debt for funding agricultural inputs geared towards improving agricultural productivity from Agricultural Finance Corporation (AFC). It will also seek to attract diaspora to participate in finding flagship projects identified in the *Nyalore* manifesto via various instruments, attract the private sector to invest in Siaya via Public-Private Partnerships (PPPs) among other debt financing approaches.

The county government is exploring engaging a pension fund entity to partner in building a modern headquarters to accommodate all the departments and bring efficiency in service delivery.

CHAPTER THREE

BORROWING FRAMEWORK BY COUNTY GOVERNMENT

3.0 Overview

In the proposed County Fiscal Strategy Paper (CFSP)-2023, there is a funding gap in the development expenditure of Kshs. 1 billion which the County Government proposes to bridge through borrowing from AFC and other financial players. This debt will be used to acquire farm inputs to boost agricultural productivity thereby ensuring food security within the County.

The County Government powers to borrow is anchored on article 212 of the Constitution of Kenya CoK) 2010 and section 140 of Public Finance Management Act (PFMA), 2012.

Section 140 of PFMA, 2012 states that a County Executive Committee member for finance may, on behalf of the county government, raise a loan for that Government's purposes either within Kenya or outside Kenya, only if the loan and the terms and conditions for the loan are set out in writing and are in accordance with:

1. Article 212 of the Constitution;
2. Sections 58 and 142 of this Act;
3. The fiscal responsibility principles and the financial objectives of the county government set out in its most recent County Fiscal Strategy Paper;
4. Debt Management Strategy (DMS) of the county government over the medium term.

In line with the legal provisions above, the County Government of Siaya has initiated a new strategy to finance implementation of capital programmes and projects. This new strategy is called Asset Financing.

CHAPTER FOUR

COUNTY DEBT MANAGEMENT STRATEGY

4.0 Overview

Components of the Medium-Term Debt Management Strategy (MTDMS) are to: maintain debt at sustainable and affordable levels; ensure that new borrowing follows fiscal responsibility guidelines for a fit purpose and are from an allowable source and with acceptable terms and conditions; introduce and consolidate fiscal, legal, institutional and operational measures that ensure that the above objectives are met.

4.1 Sustainable Debt Level

To ensure that the debt levels are sustainable and affordable the County government will employ the following strategies:

1 Pursue grant funding and budget support;

2 Where grants are unavailable, or where a loan element of grant funding for priority development projects is mandatory, limited concessional borrowing may be sought;

3 Borrowing must be limited to concessional loans from multi or bilateral donors or development partners;

4 The criteria for considering concessional financing shall be a grant element;

5 Concessional debt terms and conditions must be appropriate for the project being financed;

6 Projected debt servicing cost, not allowing for grace periods, must be less than 8 per cent of forecast domestic sourced revenues, assuming no growth in revenue;

7 Debt servicing shall be sequenced to avoid large peaks in repayment expenses at certa times of year;

8 As part of the budget process, an annual borrowing limit will be set such that debt levels will not exceed the minimum set thresholds;

9 As a general rule, and to maintain any debt to be incurred at its affordable and sustainable levels or below, the cumulative new issuance should not exceed the cumulative principal repayments to be made once interest to incur debts are floated;

10 Debt levels must be lower than any thresholds stipulated in the section 50 (5) of the Public Finance Management Act 2012 and any other land legislation governing matters debt;

11 Any additional fiscal surplus arising from buoyant county revenues will be used to retire domestic debt.

4.2 Legal and Fiscal Responsibility guidelines

The County Government must ensure that any new borrowing follows legal and fiscal responsibility guidelines for a fit for purpose; from an allowable source; and with acceptable terms and conditions. New borrowing must be recommended by a County Debt Management Advisory Unit and approved through the proper legal channels. It must comply with the conditions contained within the MOU signed by the county and the entity issuing the debt. New borrowing must be:

4.2.1 Fit for Purpose.

In order to ensure borrowing is fit for purpose, the following types of projects will be prioritized:

a) Investing in the productive capacity of Siaya County;
b) Funding priority core infrastructure and development initiatives;
c) Specific purposes (projects) identified as a high priority in the county CIDP, CADP and CFSP or specific sector plans.

Preference shall be given to projects with high rates of return or projects such as investing in hospitals or schools that generate a high 'social rate of return' and those that can help the county reach the Kenya Vision 2030 and the County Integrated Development Plan (CIDP 2023-2027). Investment projects cash flows need to be clearly identified as sufficient to make debt repayments and the cost of any contingent liabilities and obligations such as tied procurement must be factored into the cost and risk of debt. When lending for revenue generating enterprises, the rate of return must be sufficient to make debt servicing payments and contribute to the future capital requirements of the county. Finally, the County shall not borrow to fund shortfalls in recurrent expenditure and any form of losses incurred by the County.

4.2.2 Borrowing from an acceptable source

Acceptable and unacceptable funding sources shall be prescribed in the yet to be proposed county debt management bill. For the duration of this Debt Management Strategy (three years), borrowing after the transition period shall be restricted to concessional sources of finance from multilateral or bilateral donors. Such financing generally comes with greater scrutiny and oversight, making sure that funding is used for the purposes it was provided and decreasing reputational risk.

Concessional lending is available through multilateral agencies like the AfDB and World Bank and bilateral donors. Loan amounts will depend on the specific projects to be funded and donors' funding allocations to the county. The denomination of the loan currency will also influence the acceptability of the source. Acceptability of source will also depend on the individual characteristics of the loan, limitations, terms and conditions on the loan. Lending from bilateral partners is linked to specific projects and terms and conditions depend on the project.

The County Government of Siaya proposes that borrowing from the commercial lenders will be explicitly prohibited because servicing such loans is expensive due to high and variable interest rates, roll-over risks (loans tend to be short term), requires collateral and may lack transparency.

4.2.3 Borrowing with favorable terms and conditions.

The terms and conditions associated with any debt proposals must be examined carefully. Loans will be subject to a cost risk analysis by the County Debt Management Unit (CDMU). The following factors will be examined while checking for favorable terms:

1. Debts with a large grant component and fulfils the fit purpose should be given preference as they have concessional elements ingredients.
2. The volume and cost of debt must not have a negative impact on debt sustainability and affordability.
3. Despite offering very low interest rates, concessional loans still carry foreign exchange risk. The benefit of very low or even zero interest rates could be negated by depreciation. Stress tests used in the above analysis must assess the impact on affordability and sustainability of foreign exchange movements.
4. The term of the loan (tenor) should be more closely aligned to the cash flows of the project. The advantages of very long-term loans (such as the impact of inflation on the value of the loan) and very low repayment amounts can be outweighed by accumulating large amounts of debt over many generations. Very long-term loans may encourage fiscal irresponsibility, because if the project fails, it is future generations that must bear the cost. By using up the borrowing envelope now, it might restrict the ability of future generations to borrow, and they will be servicing debt for projects that were completed before they were born and for which they receive no tangible benefit.
5. Debt sustainability analysis must extend beyond grace periods. The length of the grace period should be assessed in terms of factors such as the revenue stream from the project, its duration, inter-generational equity and the time value of money.

6. Prevention of concentration risk: If the volume of the loan is large, it may contribute to concentration risk. If an institution or bilateral partner has a large concentration of debt it could use this as a means of exerting undue political influence or bargaining for favors (for example tax concessions, access to resources). The behavior of the lender needs to be assessed.
7. Legal risk: Borrowing proposals must be examined for potential legal risks. They must not contravene any land legislation.

CHAPTER FIVE
IMPLEMENTATION FRAMEWORK

5.0 Overview

This section seeks to introduce and consolidate fiscal, legal, institutional and operational measures that ensure that the objectives of the Strategy are met. Fiscal, legal, institutional and operational measures are needed to strengthen debt management and establish a borrowing framework. These measures also need to increase transparency and accountability to restore credit worthiness through rebuilding reputation. The PFMA 2012 provides an effective borrowing framework.

5.1 Fiscal measures

The County Government must continue its commitment to balanced recurrent budgets and debt should not be used for recurrent spending.

Annual borrowing limits will be set as part of the budget process to keep debt at sustainable and affordable levels, based on conservative forecasts of macro-economic factors, and in line with the County Fiscal Strategy Paper.

5.2 Legal measures

Essential aspects of debt management contain these elements:

1 Definition of debt to include loans, borrowings, guarantees and on-lending;

2 Clear authorization by county assembly to approve borrowings and loan guarantees on behalf of the county government;

3 A requirement that all borrowing proposals (including guarantees) are reviewed by a Debt Management Advisory Committee (DMAC) and recommendations submitted to the CECM for finance before borrowing and loan guarantees can be approved on behalf of the government;

4 Decisions surrounding borrowing made as part of the budget process so that projects can be compared on merit, and appropriations are made for borrowed funds;

5 Clear authorization from the CECM for Finance to the debt management entities to undertake borrowing and debt-related transactions and to manage loan guarantees;

6 Clear debt management objectives, including that the cost of the debt is minimized from a medium/long-term perspective, the risks in the debt portfolio are kept at acceptable levels, and that development of the domestic debt market is promoted;

7 A requirement to review and update the Debt Strategy annually which will serve as an operational strategy and will provide a framework for how the county government will achieve its debt management objectives; and

8 As part of the annual update of the Debt Strategy, mandatory reporting on progress since the last review, covering an evaluation of outcomes against stated objectives.

5.3 Institutional framework

(i) Process for recommending borrowing proposals to County Executive

There is need to be clear on delegation of responsibilities for recommending and approving debt, where debt includes loans, borrowings, and guarantees and on lending by the county government. In this regard, DMAC will recommend and rank acceptable proposals. It is therefore, proposed that:

Proposals that have been recommended by the DMAC can then be submitted and incorporated as part of the budget approval and appropriation process.

The CECM for finance has sole authority to approve loans. Therefore, borrowing will not be legal unless it has been signed off by CEC Member for finance.

(ii) Functions and responsibilities of the Debt Management Unit

The functions and responsibilities of the DMU will include:

1 Make debt payments on time and for the correct amount;

2 Keep timely, comprehensive and accurate records of outstanding government debt, guarantees, contingent liabilities and new borrowing in a single debt database;

3 Publish, in a timely manner, monthly (and quarterly) reports showing the status of outstanding debt, debt payments, and projected debt payment obligations;

4 Prepare, review and update the Debt Strategy;

5 If required, prepare an annual borrowing plan;

6 Prepare and publish auction calendars for issuance of domestic securities (Treasury Bills and Treasury Bonds);

7 Assess the risks in issuing any guarantees, and prepare reports on the method used for each assessment and the results thereof for the attention of the CEC Member for Finance;

DMAC will assess the volume and risk characteristics of debt to ensure that:

1 Debt is sustainable and affordable;

2 Debt is below the thresholds established;

3 Debt is from an acceptable source;

4 Debt is for a good purpose and the project is a high priority in the CIDP;

5 Debt is not for funding recurrent expenditure;

6 Project has a positive Net Present Value or helps achieve Vision 2030 and the MDGs;

7 The cost of any contingent liabilities and obligations such as tied procurement are factored into the cost and risk of debt;

8 Cash flows from projects can be identified that will be used for repaying the loan;

9 Loan terms and conditions are acceptable and achieve the best cost and risk outcome;

10 Borrowing aligns with the CFSP.

(iii) Debt Management Advisory Committee

The Debt Management Advisory Committee will evaluate borrowing proposals. The Debt Management Advisory Committee will be chaired by the chief officer in charge of finance with membership from Planning, Infrastructure and Water dockets. The County Treasury will act as secretariat for the Committee. The Committee will make recommendations to the CECM for finance as to whether borrowing should or should not proceed.

5.4 Operational framework

Operating framework will consist of:

Debt recording: The DMU will maintain accurate and up-to-date records of all debt (including guarantees, on- lending and contingent liabilities) and investments, which can then be reported. DMU also needs to keep records on liabilities of county entities.

Debt reporting: DMU will publish monthly reports on the status of County's total debt including loans, guarantees, contingent liabilities and payment arrears. The report will include details of new borrowing and issuance of Government guarantees, as well as debt repayments, rescheduling, write-offs, and retirements.

Quarterly debt bulletins indicating debt levels and cost, debt sustainability and affordability and actual and projected debt service costs over the medium term will be published on county's websites. An Annual Report will be produced showing changes in the debt status over the year, details of any new borrowing and debt repayments, key events in the management of debt and the DMU, and a review of progress and performance against the Debt Strategy. Reports will be published in a timely manner, so that stakeholders have access to up-to-date information.

Debt Strategy: Every year the DMU will review, update the debt management strategy and present to the county assembly. The Debt Strategy will provide a framework for ensuring debt financing decisions are consistent with County government's broader fiscal and development strategies and that the level of borrowing fits within the debt sustainability/affordability thresholds defined in legislation or any other official documents and with achieving macroeconomic objectives.

Borrowing Plan: When required, DMU will prepare a borrowing plan.

Debt Sustainability Analysis: DMU will prepare a debt sustainability analysis.

Integration with Cash Management: The DMU will continue to work with County Treasury to integrate cash and debt management. Cash management ensures that the County government has sufficient funds to meet its obligations as at when they fall due. Use of cash management tools depends on reliable cash forecasting. For example, Treasury Bills can be issued to fund forecast cash shortfalls, with maturity timed to coincide with periods of forecast cash surplus. Similarly, excess cash can be invested in term deposits or similar instruments to earn the county government reasonable rates of return, with term deposits maturing at times of forecast cash shortfall.

Compliance: Where staffing levels permit, the DMU will move toward an office organization with separation of back, middle and front office duties so that work can be monitored and verified. DMU will also work with Treasury toward greater integration of the cash management task.

Capacity Building: Capacity building will continue at all levels and the DMU will update its capacity development plan annually.

Business Continuity and Disaster Recovery: Business continuity will be strengthened by documenting procedures for all key processes. A register will be kept of key spreadsheets and documents, and these will be backed up regularly.

5.5 Key Assumptions

This section describes the medium-term strategy assumptions considered during preparation and those that are to affect the realization of the proposed management strategies. The assumptions are as follows:

1. The macroeconomic framework underpinning the strategy will remain stable during the medium-term period. Forecasted GDP growth rates will be realized and variables such as inflation rates, interest rates amongst others will remain stable to minimize the cost of debt.
2. The macroeconomic framework underpinning the 2023/24- 2025/26 MTDMS is consistent with projections included in the County Fiscal Strategy Paper for FY 2023/24.

The fiscal strategy paper objects at providing a general fiscal direction to support economic activities taking into consideration debt harmony in the next three years with improved forecast of the national economy.

3 The political, social and economic environment will remain favorable during the implementation of the strategy.

4 As per the constitution:

a) The County Government will be allocated fund as provided for in law;

b) The National Government will guarantee all county government loans;

c) The County Government of will adhere to the strategies contained in this document.

Appropriate enabling debt management framework exist (adequate legal framework; effective institutional arrangements and comprehensive and efficient debt recording).

6.0 Conclusion

This Paper has enunciated county debt management strategies for the period, 2023/2024 – 2025/2026. The Paper takes note of inherited debts of the DLAs and pending bills. In addition, the Paper also puts in place mechanisms for county debt management framework, which if realized, will provide for professional debt management. The institutional framework envisaged will ensure that both the executive and the assembly play their roles within the ambits of Section 9 (1) and (2) of the County Governments Act, 2012. The strategies proposed will ensure low-cost funding with high returns, thereby promoting socio-economic well-being of the citizens.