LAMU COUNTY GOVERNMENT

COUNTY TREASURY

DRAFT FISCAL STRATEGY PAPER 2025

MEDIUM TERM 2025/2026- 2027/2028

LAMU 2025 DRAFT COUNTY FISCAL STRATEGY PAPER

The County Fiscal Strategy Paper (CFSP) for Lamu County, prepared for the fiscal year 2025/2026, serves as a pivotal document in guiding the county's financial planning and development. It is formulated in compliance with the Public Finance Management (PFM) Act, Section 117, which mandates the County Treasury to prepare the CFSP, submit it to the County Executive Committee for approval, and subsequently present it to the County Assembly by February 28th each year. This paper is aligned with the national Budget Policy Statement (BPS) and reflects the goals set out in the Kenya Vision 2030, ensuring the county's strategies are consistent with national economic and social objectives.

Lamu County's fiscal framework is driven by the overarching principles of economic growth, equity, and sustainability. It is designed to support the achievement of the national development agenda outlined in Kenya Vision 2030, which envisions a globally competitive and prosperous nation. The framework also supports the Fourth Medium Term Plan (MTP IV) and is directly aligned with the Bottom-Up Economic Transformation Agenda (BETA), which seeks to empower marginalized communities, promote inclusive growth, and ensure that the benefits of economic development reach every Kenyan. Through this strategy, Lamu County aims to increase employment, reduce poverty, and enhance income distribution, creating a more equitable society.

The CFSP prioritizes restoring the county's revenue strategy with a focus on increasing the efficiency of own-source revenue mobilization. This will contribute to achieving fiscal self-reliance, allowing the county to finance its development agenda sustainably. The county will continue to ensure that its budget expenditures are aligned with its key sectoral priorities. Special emphasis is placed on increasing allocations for capital expenditure, while ensuring that there are adequate resources for the maintenance of these investments and the continued provision of social programs, as outlined in the County Integrated Development Plan (CIDP) 2023-2027.

Central to the CFSP are ten transformative pillars for Lamu's growth and development. These include Infrastructure Development, Health Services Expansion, Education and Skills Development, Agricultural Development, Water and Sanitation, Youth and Gender Empowerment, Energy Access and Sustainability, Environmental Conservation and Climate Change Mitigation, Tourism Promotion, and Fisheries and Blue Economy. These sectors not only focus on immediate development needs but also position Lamu as a key contributor to the national economic agenda, particularly through initiatives that support the Bottom-Up

Economic Transformation Agenda. By focusing on equitable access to resources, services, and opportunities, these pillars seek to reduce regional disparities and empower all residents of Lamu.

The CFSP also incorporates a strong focus on sustainable development and climate resilience, ensuring that Lamu County's growth is in harmony with environmental conservation and mitigation of climate change impacts. This holistic approach will foster the creation of jobs, enhance the quality of life for residents, and ensure long-term economic sustainability.

In line with the vision of Kenya Vision 2030, Lamu's fiscal strategy aims to create a competitive, globally recognized county with robust infrastructure, an expanding economy, and improved standards of living. By aligning the CFSP with the Bottom-Up Economic Transformation Agenda, Lamu County ensures that it contributes to national development goals, while empowering its citizens and enhancing their opportunities for prosperity.
In summary, the Lamu County Fiscal Strategy Paper for 2025/2026 sets out a clear path for the county's development, balancing fiscal discipline with inclusive growth. The strategies outlined in this paper will drive Lamu towards a prosperous future by prioritizing key development sectors, promoting efficient resource use, and ensuring that all Lamu residents benefit from economic opportunities and enhanced living standards.

The fiscal strategy Paper 2025 which serves as the basis for the preparation of the annual estimates of revenue and expenditure for the County Government of Lamu Budget for FY 2025/26 has entirely been grounded on the public opinion and priorities as captured in the ADP 2025/26.

Key Elements of CFSP

Key Element	Description
Performance	Assesses the previous fiscal year's performance in revenue collection, expenditure management, and overall budget implementation. Highlights challenges and successes.
Projection of Revenue/Expenditure	Estimates the expected revenue collection for the upcoming fiscal year, based on past performance and changes in policies or economic conditions.
	Outlines the anticipated spending, broken down by sectors and programs, aligned with development goals and the costs of ongoing services or new initiatives.
Priorities	Highlights the countyâ€™s strategic development goals for the fiscal year, focusing on priority sectors such as infrastructure, health, and education.
Ceilings	Defines the maximum budget allocations for various departments or programs, ensuring that total expenditure does not exceed available revenue and aligns with priorities.

Overview of FY 2023/24 Budget

Item	Amount (Kshs)	Percentage
Approved Supplementary Budget	4.54 billion	100%
Development Allocation	1.54 billion	34%
Recurrent Allocation	3.00 billion	66%
Previous Year's Budget (FY 2022/23)	4.37 billion	-
Equitable Share (National Revenue)	3.24 billion	71.3%
Cash Balance (from FY 2022/23)	755.66 million	16.6%
Conditional Grants	367.83 million	-
Own-Source Revenue (OSR)	**180 million**	**4.0%**
Ordinary OSR	120 million	66.7%
Facility Improvement Fund (FIF)	60 million	33.3%
Revenue Performance (FY 2023/24)	**4.17 billion**	**-**
Equitable Share (National Revenue)	2.98 billion	-
Conditional Grants	227.05 million	-
Cash Balance	755.66 million	-
Own-Source Revenue (OSR)	213.10 million	-
Ordinary OSR	123.26 million	-
Facility Improvement Fund (FIF)	85.84 million	-

EXPENDITURE BY MAJOR RCONOMIC CLASSIFICATION FOR FY 2021-2023

FY	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
2021-2022	1,528,838,096	1,166,597,803	1,042,916,227	3,738,352,126.00
2022-2023	1,621,061,853.00	1,126,864,417.00	763,507,194.00	3,511,433,464.00
2023-2024	1,850,473,538.00	1,009,935,491.00	805,040,679.00	3,665,449,708.00

FISCAL PERFORMANCE FY 2023-2023-2025

Expenditure Classification	Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**2,528,787,945**	**470,000,000**	**2,449,771,836**	**410,637,193**	**96.9**	**87.4**
Compensation to Employees	1,596,036,870	229,491,470	1,651,792,528	198,681,010	103.5	86.6
Operations and Maintenance	932,751,075	240,508,530	797,979,308	211,956,183	85.6	88.1
Development Expenditure	1,422,550,007	119,500,000	790,262,402	14,778,277	55.6	12.4
Total	**3,951,337,952**	**589,500,000**	**3,240,034,238**	**425,415,470**	**82.0**	**72.2**

Source: *Lamu County Treasury*

In FY 2023/24, Lamu County's expenditure patterns show a significant allocation to employee compensation, with the County Executive spending Kshs. 1.65 billion and the County Assembly Kshs. 198.68 million. The County Executive's operations and maintenance budget was Kshs. 797.98 million, while Kshs. 790.26 million was allocated for development, though the absorption rates for development were lower (55.6%). Total revenue for the County Executive was Kshs. 4.17 billion, with 44.4% directed towards employee compensation, including Kshs. 863.35 million for the health sector. Expenditure on employees' compensation increased from Kshs. 1.62 billion in FY 2022/23 to Kshs. 1.85 billion in FY 2023/24, reflecting the rising personnel costs amid relatively lower development and operations spending efficiency.

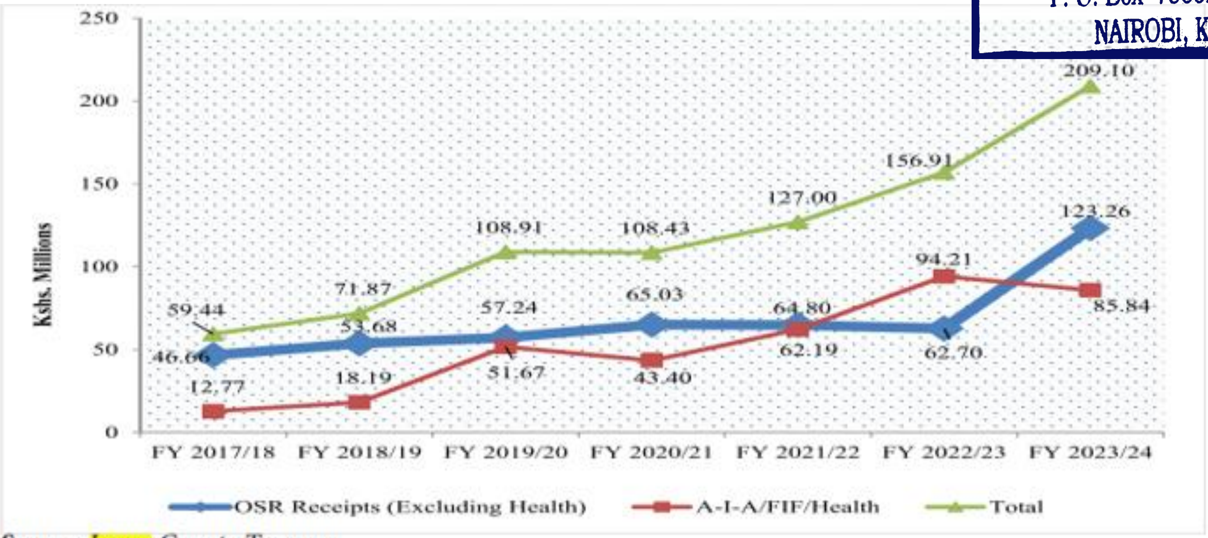
OWN SOURCE REVENUE REALIZED OVER SIX FINANCIAL YEARS

REVENUE STREAMS	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
BUSINESS PERMIT CURRENT YEAR	14,287,200	9,360,150	14,315,200	12,501,700	13,293,600	20,885,500
HEALTH CENTRES	18,190,159	51,669,962	43,399,523	62,192,682	94,205,709	36,236,617
TRAINING/LEARNING CENTRES (ATC)	910,850	483,400	575,546	358,210	336,400	467,000
MARKET STALLS RENT	1,356,700	232,100	37,100	12,600	933,800	1,094,950
FRUITS & VEGETABLES/PRODUCE CESS	2,482,440	2,985,042	1,520,867	611,950	748,550	1,222,480
MEAT INSPECTION FEES	328,985	154,742	29,520	186,850	144,200	332,800
COUNCIL VEHICLES HIRE (AMS TRACTORS)	3,657,850	5,305,526	5,989,490	6,070,725	14,449,514	8,638,339
OPEN AIR MARKET FEE	689,690	1,079,296	457,020	538,800	697,800	1,558,520
SLAUGHTERING FEE	310,500	317,640	354,470	419,140	945,050	747,770
LIVESTOCK CESS	132,013	192,045	62,350	265,050	313,070	217,810
FISH CESS	1,639,744	857,420	768,550	1,527,644	1,961,300	7,618,328
STREET PARKING FEE	1,197,380	1,079,800	1,316,490	1,588,100	1,709,700	3,860,330
SALES OF FLOWERS,MIRAA,ETC	194,150	168,600	15,677,450	20,101,758	3,453,975	4,609,000
WHEAT&MAIZE CESS	87,795	225,870	-	-	-	-
VETENARY	-	149,633	44,750	35,800	1,800	16,050
FOREST CESS	249,800	174,100	563,400	599,200	578,700	1,207,995
METAL SCRAP	-	3,300	191,950	40,850	100,700	2,196,080
SIGN BOARDS & ADVERTISEMENT FEE	1,214,100	2,742,970	3,319,700	3,374,628	2,970,113	4,613,556
PYSICAL PLANNING	3,768,213	17,490,280	577,637	2,829,017	3,699,095	8,105,651
SAND,GRAVEL,AND BALLAST EXTRACTION FEES	3,765,689	1,671,407	5,242,063	3,647,011	5,697,079	5,266,727
FISHERIES LICENCE	461,500	115,400	405,305	305,400	25,050	107,500
LAND RATES	13,386,860	4,311,842	8,667,706	6,789,675	7,388,702	8,520,930
PUBLIC HEALTH	409,170	349,520	761,270	749,070	1,151,600	1,984,810

COUNTY ASSEMBLIES FORUM (CAF)
P. O. Box 73552 - 00200,
NAIROBI, KENYA

REVENUE STREAMS	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
HIDES AND SKINS FEE	9,000	3,900	1,500	4,300	4,500	3,450
WATER DISILATION PLANT	-	270,575	-	-	20,000	-
DONATIONS	500,000	1,700,000	-	-	-	-
SALARY COMMISION	-	3,593,541	3,656,229	2,029,956	1,968,131	2,465,063
OTHERS MISCELLANEOUS	3,142,650	2,218,092	498,564	216,690	109,107	341,016
F - I - F						89,747,742
LIQUOR						1,262,050
TOTAL	**72,372,437**	**108,906,153**	**108,433,650**	**126,996,806**	**156,907,245**	**213,328,064**

Local Revenue Trend Analysis from Year 2017/2018 to 2023/2024



Source: *Lamu County Treasury*

In FY 2023/24, Lamu County generated Kshs. 213.10 million in own-source revenue (OSR), marking a 33.3% increase from Kshs. 156.91 million in FY 2022/23. This figure surpassed the annual target by 16.1% and represented 7% of the equitable revenue share. The Health Sector, including Health Centres and the Facility Improvement Fund, was the largest contributor, generating Kshs. 122.08 million, or 58% of the total OSR receipts during the period.

Lamu County was one of the few Counties that outperformed their annual revenue targets at 116.2 per cent others included Turkana at 241.2 per cent, Vihiga at 136.3 per cent, Kirinyaga at 118.4 per cent, Nandi at 113 per cent, Wajir at 110 per cent, Garissa at 108.2 per cent, Nyeri at 106.1 per cent, Samburu at 104.1 per cent, and Murang’a at 100.2 per cent.

CHALLENGES TO BUDGET IMPLEMENTATION

High Wage Bill

Challenge: A large portion of county budgets is often consumed by the wage bill, limiting the funds available for development projects and service delivery. This is due to an overstaffed public sector, high salaries for county employees, and inefficiencies in workforce management.

Recommendation:

Optimize Workforce: Undertake a comprehensive review of staffing levels and align them with the county's needs.

2. Insufficient and Late Disbursement of Funds by National Treasury

Challenge: Delays in the disbursement of funds from the National Treasury can stall county operations and disrupt the timely implementation of county projects and services. This occurs due to cash flow challenges or bureaucratic inefficiencies.

Recommendation:

Improved Cash Flow Management: Both the national and county governments should enhance cash flow forecasting and communication to ensure funds are disbursed on time.

Alternative Funding Mechanisms: Counties can explore alternative funding options, such as public-private partnerships or donor funding, to reduce their dependence on national government transfers.

3. **Capacity of Service Providers**

Challenge: Many counties struggle with service providers who lack the capacity to deliver projects on time and within budget. This often results in cost overruns, delays, and substandard service delivery.

Recommendation:

Strengthen Due Diligence Processes: Establish stricter vetting procedures for contractors and service providers to ensure that only those with the necessary technical skills, experience, and financial stability are awarded contracts.

Capacity Building for Local Providers: Invest in training and capacity building programs for local contractors to enhance their ability to execute county projects.

Monitoring and Evaluation: Strengthen monitoring and evaluation mechanisms to ensure timely completion and quality of projects. Regular audits and inspections should be part of the contract enforcement process.

OBER VIEW OF BUDGET ESTIMATES FOR FY 2024/2025

County approved FY 2024/25 budget is Kshs.5.29 billion as tabulated below

Budget Category	Amount (Kshs)	Percentage (%)
Total Budget	**5,290,000,000.00**	
Development Budget	2,210,000,000.00	4280%
Recurrent Budget	3,080,000,000.00	5830%
REVENUE	**5,290,000,000.00**	
Equitable Share of National Revenue	3,360,000,000.00	64%
Additional Allocations	1,161,390,000.00	22%
Carry Forward Balance from FY 2023/24	478,610,000.00	9%
Gross Own Source Revenue	**290,000,000.00**	**5%**
Facility Improvement Fund	130,000,000.00	2%
Ordinary Own-Source Revenue	160,000,000.00	3%

However, the county is expected to review the budget as equitable share was reduced by Kshs105,569,277 to kshs 3,254,430,723.00

Recurrent Expenditure

HALF YEAR RECURRENT EXPENDITURE 2024-2025

DEPARTMENT	HALF YEAR ALLOCATION	HALF YEAR EXPENDITURE	PERCENTAGE ABSORPTION
COUNTY EXECUTIVE	73,540,798.00	55,556,679.00	76%
FINANCE, ECONOMY AND STRATEGIC PLANNING	906,547,812.00	842,653,608.70	93%
AGRICULTURE AND PLANNING	7,000,000.00	530,670.00	8%
LAND, PHYSICAL PLANNING,	9,500,000.00	8,176,221.00	86%
EDUCATION, GENDER, YOUTH AFFAIRS, SPORTS AND SOCIAL SERVICES	90,000,000.00	80,423,114.00	89%
HEALTH SERVICES, SANITATION AND ENVIRONMNET	47,475,000.00	22,289,551.60	47%
TRADE, INVESTMENT, CULTURE AND TOURISOM	30,980,139.00	2,382,689.00	8%
INFORMATION, COMMUNICATION AND E-GOVERNMENT	5,660,000.00	1,607,423.00	28%
FISHERIES, LIVESTOCK, VETERINARY AND COOPERATIVE DEVP	3,535,225.00	159,150.00	5%
COUNTY PUBLIC SERVICE BOARD	5,212,500.00	1,902,621.00	37%
WATER MANAGEMENT AND CONSERVATION	29,000,000.00	25,179,491.65	87%
PUBLIC HEALTH, ENVIRONMENT AND SANITATION	17,543,130.00	4,446,315.00	25%
BUDGET AND ECONOMIC PLANNING	3,000,000.00	695,725.00	23%
INFRASTRUCTURE AND ENERGY	3,000,000.00	807,870.00	27%
MUNICIPALITY	23,529,050.00	883,300.00	4%
TOTAL COUNTY EXECUTIVE	1,255,523,654.00	1,047,694,428	83%

Recurrent Expenditure

HALF YEAR RECURRENT EXPENDITURE 2024-2025

DEPARTMENT	BUDGET ALLOCATION	HALF YEAR EXPENDITURE	ABSORPTION
COUNTY EXECUTIVE	65,796,810.00	3,107,637.70	5%
FINANCE, ECONOMY AND STRATEGIC PLANNING	10,000,000.00	-	0%
AGRICULTURE AND PLANNING	273,995,842.00	-	-
LAND, PHYSICAL PLANNING,	377,661,174.00	3,864,000.00	1%
EDUCATION, GENDER, YOUTH AFFAIRS, SPORTS AND SOCIAL SERVICES	63,557,730.50	7,144,929.50	11%
HEALTH SERVICES, SANITATION AND ENVIRONMNET	202,029,526.00	10,842,391.20	5%
TRADE, INVESTMENT, CULTURE AND TOURISOM	37,139,634.00	-	0%
INFORMATION, COMMUNICATION AND E-GOVERNMENT	24,487,461.00	1,500,000.00	6%
FISHERIES, LIVESTOCK, VETERINARY AND COOPERATIVE DEVP	50,000,000.00	-	-
WATER MANAGEMENT AND CONSERVATION	129,145,791.00	11,401,274.00	9%
PUBLIC HEALTH, ENVIRONMENT AND SANITATION	172,744,059.00	2,960,920.00	2%
INFRASTRUCTURE AND ENERGY	232,438,138.00	-	0%
MUNICIPALITY	307,232,161.00	10,419,397.40	3%
TOTAL COUNTY EXECUTIVE	1,946,228,326.50	51,240,549.80	3%

Reasons for low absorption of funds

- Delayed Disbursement of Funds: Late or inconsistent disbursements from the National Treasury, especially due to delays in assenting to the County Allocation of Revenue Act, prevent counties from receiving their share of the national budget on time.

Recommendation: Advocate for timely passage and assenting of the Act to ensure prompt fund allocation.

- Delay in Passage of the County Additional Grant Bill: Delays in passing the County Additional Grant Bill, which governs conditional grants, hinder counties from receiving essential additional funding for specific programs or projects.

Recommendation: Expedite the passage of the Bill to ensure timely release of conditional grants.

- Bureaucratic Processes and Administrative Delays: Lengthy procurement procedures and administrative inefficiencies within counties slow down project execution and cause underutilization of funds.

Recommendation: Streamline procurement processes and improve administrative efficiency to expedite fund allocation and project implementation.

FY 2025-2026 FISCAL PROJETIONS

The projected budget for FY 2025/2026 shows a total revenue of KSh 4,001,239,358, primarily funded by the National Government Equitable Share (85%), with a balanced expenditure plan. Personnel costs dominate the budget at 49%, followed by operations and capital expenditure, with no surplus or deficit projected.

Projected FY 2025/2026 Revenues and Expenditure

REVENUE/EXPENDITURE PROJECTIONS	FY 2025/2026 (KSHS.)	PERCENTAGE
National Government Equitable Share	3,405,085,512	85%
Conditional Grants	346,153,846.00	9%
Total Exchequer Issues	3,751,239,358	94%
County Local Sources	250,000,000	6%
Total Revenue	4,001,239,358	100
Expenditure		
Personnel	1,975,000,000	49%
Operations Repair and Maintenance	825,867,551	21%
Capital Expenditure	1,200,371,807	30%
Total Expenditure	4,001,239,358	100
Surplus/(Deficit)	0	

Comparison of Actual Own Source Revenue and Projection for FY 2025/2026			
REVENUE STREAMS	**2022-2023**	**2023-2024**	**2025-2026**
BUSINESS PERMIT CURRENT YEAR	13,293,600	20,885,500	20,886,544
HEALTH CENTRES	94,205,709	36,236,617	36,238,429
TRAINING/LEARNING CENTRES (ATC)	336,400	467,000	467,023
MARKET STALLS RENT	933,800	1,094,950	1,095,005
FRUITS & VEGETABLES/PRODUCE CESS	748,550	1,222,480	1,222,541
MEAT INSPECTION FEES	144,200	332,800	332,817
COUNCIL VEHICLES HIRE (AMS TRACTORS)	14,449,514	8,638,339	8,638,771
OPEN AIR MARKET FEE	697,800	1,558,520	1,558,598
SLAUGHTERING FEE	945,050	747,770	747,807
LIVESTOCK CESS	313,070	217,810	217,821
FISH CESS	1,961,300	7,618,328	7,618,709
STREET PARKING FEE	1,709,700	3,860,330	3,860,523
SALES OF FLOWERS, MIRAA,ETC	3,453,975	4,609,000	4,609,230
WHEAT&MAIZE CESS	-	-	-
VETENARY	1,800	16,050	16,051
FOREST CESS	578,700	1,207,995	1,208,055
METAL SCRAP	100,700	2,196,080	2,196,190
SIGN BOARDS & ADVERTISEMENT FEE	2,970,113	4,613,556	4,613,787
PYSICAL PLANNING	3,699,095	8,105,651	8,106,056
SAND,GRAVEL,AND BALLAST EXTRACTION FEES	5,697,079	5,266,727	5,266,990
FISHERIES LICENCE	25,050	107,500	107,505
LAND RATES	7,388,702	8,520,930	8,520,930
PUBLIC HEALTH	1,151,600	1,984,810	1,984,909
HIDES AND SKINS FEE	4,500	3,450	3,450
WATER DISILATION PLANT	20,000	-	-
SALARY COMMISION	1,968,131	2,465,063	2,465,186
OTHERS MISCELLANEOUS	109,107	341,016	341,033
F - I - F		89,747,742	130,000,000
LIQUOR		1,262,050	1,268,360
TOTAL	156,907,245	213,328,064	250,000,000

Summary of Medium-Term Costs and Ceiling FY 2025/2026 Ksh, Million

DEPARTMENT	Compensation to Employees	RECURRENT	AIA	CONDITIONALGRANTS	2025	TOTAL	PERCENTAGE
COUNTY ASSEMBLY	240,000,000.00	297,000,000.00			10,000,000.00	547,000,000.00	13%
PUBLIC SERVICE MANAGEMENT	0	147,000,000.00			50,000,000.00	197,000,000.00	4.8%
CLIMATE AND ICT		11,000,000.00			35,000,000.00	46,000,000.00	1.1%
DEVOLUTION		5,000,000.00			10,000,000.00	15,000,000.00	0.4%
FINANCE	1,735,000,000.00	20,000,000.00			0	1,755,000,000.00	42.7%
AGRICULTURE		14,000,000.00		246,153,846.00	50,000,000.00	310,153,846.00	7.5%
LANDS		8,000,000.00			90,000,000.00	98,000,000.00	2.4%
EDUCATION		100,000,000.00			100,000,000.00	200,000,000.00	5%
MEDICAL SERVICES		130,000,000.00	100,000,000.00	0.00	207,000,000.00	437,000,000.00	11%
TRADE		20,000,000.00			35,000,000.00	55,000,000.00	1.3%
FISHERIES AND LIVESTOCK		8,000,000.00			50,000,000.00	58,000,000.00	1.4%
PUBLIC SERVICE BOARD		10,000,000.00				10,000,000.00	0.2%
WATER AND ENERGY		50,000,000.00			10,000,000.00	60,000,000.00	1.5%
PUBLIC HEALTH		23,000,000.00		100,000,000.00	20,000,000.00	143,000,000.00	3%
BUDGET AND ECONOMIC AND ECONOMIC PLANNING		7,000,000.00		0	0	7,000,000.00	0%
INFRASTUCTURE		7,974,446.00			100,000,000.00	107,974,446.00	3%
LAMU MUNICIPALITY		15,000,000.00			50,000,000.00	65,000,000.00	2%
TOTAL EXPENDITURE	1,975,000,000.00	872,974,446.00	100,000,000.00	346,153,846.00	817,000,000.00	4,111,128,292.00	100.0%
%TOTAL EXPENDITURE	48%	21%	2%	8.4%	19.9%		

County Priority Areas

For the fiscal year 2025/2026, the Lamu County Government's fiscal framework focuses on managing fiscal risks, reducing the fiscal deficit, and implementing austerity measures to prioritize capital spending over increasing recurring expenditures. The strategy is designed to maintain prudence in public expenditure management while addressing key development priorities identified through the County Fiscal Strategy Paper (CFSP) and the Annual Development Plan (ADP) 2025, as reflected in the Ward-Based Public Participation Fora. The main priority areas for investment are:

1. Provision of quality and affordable health services to enhance healthcare delivery and access.
2. Youth and women empowerment programs to promote economic participation and gender equality.
3. Enhancement of education and training to improve literacy and technical skills among residents.
4. Upgrading of water and sanitation systems to improve public health and provide clean water to communities.
5. Transport and infrastructure development to improve connectivity, enhance market access, and drive economic growth.
6. Agricultural development, focusing on food security, modernization of farming practices, and improving market access for smallholder farmers.
7. Fisheries and the blue economy, with a focus on sustainable management of marine resources, aquaculture, and promoting coastal communities' livelihoods.
8. Tourism revival, leveraging Lamu's cultural and natural heritage to boost tourism, create jobs, and promote economic development.

By investing in these sectors, the county aims to achieve inclusive and sustainable growth, improve socio-economic welfare, and ensure that Lamu thrives as a key contributor to Kenya's broader development agenda.

Here are detailed county priorities and their estimated cost

1. **Provision of quality and affordable health services**

For FY 2025-2026, the health department has prioritized three main programmes: General Administration, Preventive and Promotive Health Services, and Curative and Rehabilitative Health Services. The focus is on improving service delivery through enhanced administration, reducing disease burdens, and providing quality healthcare, including the operationalization of new units such as the ICU at Lamu County Referral Hospital and the Kiunga theatre and radiology unit. Key activities involve recruitment, staff promotions, and increased allocation for health commodities, with an emphasis on addressing the need for more resources to support health services.

The department's budget for 2025-2026 includes KES 952.43 million for employee compensation, KES 250 million for health commodities, and KES 5 million for insuring medical infrastructure. Development projects, including the procurement of ambulances, upgrading health facilities, and setting up specialized medical equipment, are budgeted at KES 207 million. Additionally, priority vacancies in critical roles such as anaesthesiologists, nurses, and medical officers will be filled to ensure effective service delivery. These investments aim to strengthen the county's healthcare system and address emerging health challenges.

2. **Department of Agriculture & Irrigation**

For the FY 2025-2026, the Department of Agriculture & Irrigation has prioritized three key programmes: Extension Advisory Services, Crop Production & Productivity Improvement, and Value Addition & Marketing, with a total budget of Kshs. 186.74 million. Under Extension Advisory Services (Kshs. 72.84M), the focus will be on recruiting extension staff, purchasing motorcycles, modernizing the Lamu Agricultural Training Centre (LKATC), establishing demonstration farms, and training lead farmers to improve crop production and farm incomes. The Crop Production & Productivity Improvement Programme (Kshs. 102.9M) aims to boost farm output through seed and fertilizer distribution, tractor purchases and maintenance, irrigation projects, and climate-smart agriculture support for farmer groups.

The Value Addition & Marketing Programme (Kshs. 186.74M) will enhance post-harvest management and market access by supporting farmer groups in establishing cottage industries, developing a farmer information database, constructing and activating grain storage facilities, and training farmers on value addition. A key focus will be the Public-Private Partnership (PPP) initiative to set up a fruit processing plant, which will help reduce post-harvest losses and create market opportunities. These interventions are designed to increase agricultural productivity, improve farmer incomes, and enhance food security across the county.

3. **Lamu Municipality**

The department's key priorities for the medium-term period (2025/26-2027/28) focus on enhancing infrastructure, waste management, security, and tourism in Lamu. Key initiatives include completing the beautification of the Amu Waterfront, constructing and rehabilitating roads, jetties, and drainage systems, procuring garbage skips, installing solar streetlights and CCTV cameras, and constructing a modern bus terminal and market facilities at Mokowe. Additionally, there is a focus on promoting community-driven cleanliness through the Weka Lamu Safi Initiative, while improving urban navigation with new street signage. The resource requirements include a significant investment in infrastructure development, with an increase in expenditure on acquiring non-financial assets, projected at KES 120.25 million in 2025/26 for roads, markets, and equipment. The use of goods and services is not expected to change significantly over the projected years.

4. **Education, Youth and Women Empowerment**

Lamu County's key priorities for the 2024/25 financial year focus on education, youth and women empowerment, sports development, social welfare, and economic growth. Major investments include the construction and equipping of ECDE and vocational training centers, provision of scholarships and bursaries, and youth and women empowerment programs through grants and loans. Additionally, significant resources are allocated for sports infrastructure, talent development, and the promotion of PWD and women's sports. Social development efforts include constructing and rehabilitating social halls to foster community engagement.

The proposed budget allocation across all programs is Kshs. 401.1 million for 2024/25, increasing to Kshs. 500 million by 2027/28. Education and technology receive the largest share, with Kshs. 249 million allocated in 2024/25. Youth, sports, and community development programs are also well-funded, with Kshs. 195 million allocated. Capital projects such as sports infrastructure (Kshs. 50 million), bursaries (Kshs. 100 million), and ECDE infrastructure (Kshs. 40 million) highlight the county's commitment to long-term development. These investments aim to enhance education quality, empower marginalized groups, and promote economic resilience.

5. **Public Health, Sanitation, and Environment**

The department's key priorities for 2025/26-2027/28 focus on improving public health, sanitation, environmental management, and infrastructure development across Lamu County. Major initiatives include the restoration of Lake Kenyatta, the development of waste management legislation, and the construction of key infrastructure such as perimeter walls, public toilets, wastewater drainage, and stormwater vertical drains. Additional projects include the procurement of motorbikes for community health services, fencing of dumpsites, afforestation of wetlands, and the establishment of Material Recovery Facilities (MRFs) in Mhamarani and Siyu. The department will also support climate change adaptation efforts, such as addressing rising sea levels and negotiating the Water Protocol for River Tana. Key financial requirements include KES 120 million for development projects, with KES 100 million allocated to the FLLoCA CCRI Grant for environmental and climate resilience projects. Challenges such as inadequate staffing, financial constraints, and the absence of waste management legislation will be addressed through increased budget allocations, interdepartmental collaboration, and streamlined expenditure.

6. **ICT, E-Government, and Citizen Participation**

From 2025/26 to 2027/28, Lamu County's ICT, E-Government, and Citizen Participation initiatives will focus on enhancing digital infrastructure, improving public service delivery, and increasing digital literacy. Key projects include expanding broadband and public Wi-Fi, strengthening cybersecurity, and integrating e-government services for efficiency. Investments will also support the agriculture, health, and education sectors through digital solutions. The county will establish a telecommunications system, install surveillance systems, and develop a county-wide Wide Area Network (WAN) to improve connectivity. Additionally, programs like Digital Literacy Training, the Integrated County Management System (ICMS), and Digital Learning for Early Childhood Centers (ECDCs) aim to bridge the digital divide.

The total estimated cost for these projects surpasses Ksh. 60 million, funded mainly by the Lamu County Government (LCG) and the Kenya Devolution Support Programme (KDSP II). Major allocations include Ksh. 10 million for a county radio communication system, Ksh. 8.45 million for security intelligence systems, Ksh. 6.5 million for WAN expansion, and Ksh. 5 million for digital literacy programs. Other notable investments include Ksh. 4.5 million for public Wi-Fi hotspots, Ksh. 3.5 million for digital learning in ECDCs, and Ksh. 5 million for a grievance redress mechanism. These initiatives aim to enhance governance, improve service delivery, and promote socio-economic growth through technology

7. **INFRASTRUCTURE**

This road infrastructure plan for 2025/26–2027/28 prioritizes improving accessibility, connectivity, and urban development across Lamu County. Key projects include cabro paving in major towns such as Hongwe, Hindi, Shella, Faza, and Kiunga, with significant investments in concrete paving and sea wall rehabilitation in Mkomani and Siyu. Bush clearing, grading, and graveling will enhance road conditions in Bomani, Sinambio, and Witu, while strategic road openings in Hongwe, Kiunga, and Basuba will improve transportation access for remote communities. Routine maintenance and repairs, such as the Ras Kitau Road project, will ensure long-term road sustainability.

The total budget for these projects is Ksh. 201 million, with the highest allocations going toward sea wall rehabilitation in Siyu (Ksh. 15 million), Ras Kitau Road maintenance (Ksh. 15 million), and various cabro paving and road opening projects ranging from Ksh. 5 million to Ksh. 10 million each. These investments aim to enhance mobility, boost economic activities, and support disaster resilience in vulnerable areas.

8. **LAND AND PHYSICAL PLANNING**

The key priority for the Lands and Physical Planning Department is to enhance land ownership security, with specific targets such as issuing 6,000 title deeds and increasing development applications by 20%. To achieve these objectives, substantial resources are required, with recurrent expenditures projected at KES 11.19 million, covering employee compensation and operational costs. Development expenditures will total KES 90 Mllion, supporting land administration, urban development, and infrastructure projects. The department will also focus on capacity building, policy preparation, and community engagement to address challenges like land disputes, urban sprawl, and resource conflicts, ensuring efficient project implementation and improved land management.

9. Water and Energy

Lamu County's Water and Energy Programme for 2025/26 focuses on adopting clean energy solutions and enhancing water accessibility, including solarizing desalination plants, water treatment facilities, and street lighting. Key projects also include rainwater harvesting, water kiosk construction, and the development of a County Energy Plan (CEP). By integrating renewable energy with sectors like agriculture, health, and tourism, the county aims to improve productivity, service delivery, and resource efficiency. Measures such as environmental impact assessments, capacity building, and stakeholder engagement will mitigate risks. The county will also support key stakeholders with grants, subsidies, and contributions to reduce costs, while prioritizing water source protection and the rehabilitation of existing infrastructure.

10. **Fisheries, Livestock and Blue Economy**

The department's key priority areas focus on enhancing service delivery in fisheries, livestock production, veterinary services, and cooperative development. Major objectives include promoting sustainable fisheries and blue economy growth, improving livestock productivity, strengthening disease control, and boosting cooperative societies. Budget allocations prioritize staff compensation, operational expenses, and capital investments in fisheries equipment, livestock breeding, disease control, and market access infrastructure. The total budget stands at Ksh. 164 million, with key capital projects including fishing gear procurement, livestock breed improvement, and slaughterhouse construction to enhance economic growth and food security.

Conclusion

The Lamu County Fiscal Strategy Paper (CFSP) 2025/2026 aligns with the County Integrated Development Plan (CIDP 2023-2027), the Budget Policy Statement (BPS), and the Bottom-up Economic Transformation Agenda (BETA) to ensure cohesive development and fiscal management. The CFSP prioritizes key sectors such as infrastructure, healthcare, agriculture, education, and the blue economy, directly supporting both local and national development goals. By focusing on revenue mobilization, job creation, and sustainable growth, Lamu is aligning with the BPS's emphasis on economic transformation and poverty reduction, while also contributing to Kenya's Vision 2030 and the Bottom-Up Economic Transformation Agenda.

Additionally, the CFSP ensures that Lamu's fiscal strategy mirrors national priorities such as improving social services, promoting climate resilience, and expanding economic opportunities. Through equitable resource allocation, investment in infrastructure, and job creation, Lamu aims to be a self-reliant county that contributes meaningfully to the national agenda, fostering long-term growth and improved socio-economic conditions for its residents.