

**COUNTY GOVERNMENT OF VIHIGA**



**DEPARTMENT OF TRADE, INDUSTRY, TOURISM AND ENTREPRENEURSHIP**

**VIHIGA COUNTY INVESTMENT POLICY**

**SEPTEMBER 2018**

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## List of abbreviations

ADC	African Divine Church
CDF	Constituency Development Fund
CIDP	County Integrated Development Plan
CRIC	Community Resource and Information Centre
CIPC	County Promotion and Investment Committee
ESP	Economic Stimulus
FDI	Foreign Direct Trade
FOSA	Bunyore Financial Services Association
NEP	national Environmental Policy
UN	United Nations

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## 1.0 INTRODUCTION AND BACKGROUND TO THE INVESTMENT POLICY

Vihiga County is located in the Western Region of Kenya. It covers a total area of 531.0 square kilometres and borders Nandi County to the East, Kakamega County to the north; Siaya County to the west and Kisumu County to the south. The county comprises five constituencies namely; Emuhaya, Luanda, Hamisi, Sabatia and Vihiga. Its altitude ranges between 1,300 m and 1,800 m above sea level and slopes gently from west to east. Generally the county has undulating hills and valleys with streams flowing from northeast to southwest and draining into Lake Victoria. The County has equatorial climate with fairly well distributed rainfall throughout the year with an annual average rainfall of between 1,800mm and 2,000mm. Temperatures range between 14 to 32 degrees centigrade with a mean of 24<sup>o</sup>c.



### 1.1 Typography

An overview of sectors in Vihiga County indicate that land, although scarce due to the population density, can be used for agricultural production and related activities and physical development such as for settlements and other infrastructure such as education facilities, markets, roads, telecommunication, power and hospitals. Agricultural production alone accounts for approximately 98.7 % of the land being put under agriculture (Vihiga CIDP, 2013). The average farm holding in the County is 0.4 hectares for small scale farming and 3 ha for large scale. The major agricultural practices in the county are crop farming, livestock farming and fish farming. The main food crops produced are maize, beans, millet and sweet potatoes while tea and coffee are the main cash crops produced in the county with approximately 40,000 and 8,000 hectares under food and cash crops respectively (Vihiga, CIDP, 2013-2017). Aquaculture is being practiced under the Economic Stimulus Programme (ESP) which is now referred to as Fish Farming Enterprise and Productivity Programme. Two types of fish are reared in the County; Nile Tilapia and its stocking density

is 3 fish per m<sup>2</sup>. Fish farming has improved livelihoods of the farmers through increased incomes and healthy diet.

Vihiga County is a tourist attraction as it boasts of numerous tourism potentials such as Maragoli Hills, Muungoma Caves, Gevera Stones (Foot of Jesus) next to Kivagala, Vihiga three stones, Kibiri and Kaimosi Forests, Tiriki cultural sites, rain-makers of Emuhaya, Kima stone mountain, Abuhando hills and Mmbita Hills. The biggest challenge to this tourism potential is the lack of a coordinated strategy to facilitate the growth of this sector in the County. For example, currently there is only one tourist hotel, Sosa Cottages. The county is also underserved in terms of training and conference facilities, resulting in revenue from this sector being washed away into neighboring counties and Nairobi. Some of the best chefs in the country are from Vihiga but they do not have the platform to showcase these skills in the home county. The county has also produced some of the famous sports alumnus such as Joe Kadenge, yet with a total of 12 sports centres (3 per sub-county) that are sponsored by the government, there is yet to be a deliberate intention to develop and expand the sport.

Health services in Vihiga County are mainly provided by the public sector, but with limited private sector participation. Specialized health infrastructure facilities such mental health hospitals, heart surgery, renal and cancer units are conspicuously lacking in the whole of the Lake Basin region and patients are often referred to Kakamega Referral Hospital (Kakamega Town), Moi Teaching and Referral Hospital (Eldoret Town); or Jaramogi Oginga Odinga Teaching and Referral Hospital (Kisumu City). While some 80 % of the residents consider health facilities to be accessible in terms of distance (CIDP, 2013), the quality of services is still poor due to lack of essential drugs in hospitals, inadequate health personnel, and inadequate health facilities. However, about 20% of the residents feel health services have improved due to increased number of dispensaries (mainly Funded through CDF).

Access to quality education is perhaps the most important indicator of development in any region or country. While there are a few private schools in the county, Vihiga County greatly requires a critical mass of skilled population to drive its socio-economic development agenda. Although there are a few renowned scholars from the county, they are yet to mobilize and organize their skills and resources for a common cause such as initiating projects that can generate wealth and employment creation, or market the county to potential investors.

In terms of commerce and industry, Vihiga County does not have a unique selling point. It is characterized by weak economic base and limited employment opportunities. Only the major urban centres, which are also the headquarters of the Sub-counties (Mbale, Luanda, Serem and Vihiga) have access to financial services, transport-support investments, rental housing, eateries, bars and restaurants, butcheries, professional services, beauty centre, provisional stores, transportation, trade in cereals, guest houses, Plate studios, video shops, carpentry, courier services, internet services (cyber cafes), bookshops and stationery, hardware, scrap metal dealers, private schools, livestock markets, telecommunication-centred investments, open and closed air markets. The rural areas are under-served in all these. There is no particular area designated as "Industrial Area". Mudete Tea Factory (agro-based) is the only major industry in the county. Light industrial activities include: Jua-kali metal works, Vihiga Municipal Abattoir at Lunyerere and sugar juggery at Mwibona. Mining

also takes place in Luanda, Kaimosi and Sabatia, but has remained at low scale due to lack of technology and equipment. Even with digitalization of majority of systems in the country, the County does not have a single computer training college. This is linked to low incomes and low education levels among those to be targeted for such skills, and the unavailability of electricity in rural areas. Majority of the households rely on biomass energy, an indicative of high poverty levels

Majority of the residents of Vihiga County live in their own houses and therefore potential investors have found it difficult to invest in commercial housing. The situation is exacerbated by inaccessible safe drinking water supply. World Health Organization (WHO), estimates water to be accessible to urbanites if the commodity is available less than 200 metres from one's dwelling. In Vihiga county, the average distance to water points in the planning area is 500 metres. Water vendors sell 20 litres of untreated water (collected from spring) at twenty Kenya shillings, an amount that is way above affordability of majority of the people of Vihiga given that one person requires about 100 litres/day for healthy living. Moreover, at least 97% of the households are not connected to conventional sewerage system and therefore rely on on-site sanitation facilities (91% ordinary pit latrines). The septic tank located at the current site for GK Prison (Mbale) and the others located downstream often overflows due to non-exhaustion thereby ending up discharging in to river Ehedwe and subsequently leading to water pollution and a health hazard.

The National Environment Policy (NEP, 2012) notes that the survival and socio-economic wellbeing of Kenyans is deeply intertwined with the environment and that majority of the citizens depend directly or indirectly on environmental goods and services. The government of Kenya has put in place mechanisms that ensure that environmental concerns are fully integrated into development planning, also outlined in Vihiga County Integrated Development Plan (CIDP). However, challenges persist with regard to uncontrolled poor disposal of solid waste and lack of solid waste disposal site across all urban areas in the County; and encroachment on fragile ecosystems- wetlands, (Maragoli and Kaimosi hills). In terms of security, Vihiga County has only 5 police stations, 3 police posts and 4 patrol bases. These security facilities are supplemented by chief camps with administration police. The ratio of police is 1:1500 which is way above the UN recommended ratio of 1:400 people.

The county has five (5) commercial banks namely Kenya Commercial Bank, Equity Bank, Cooperative Bank, Post Bank and Barclays Bank. The micro-finance institutions are Kenya Women Finance Trust, Bunyore Financial Services Association (FOSA) and Platinum Credit and Khaviem village bank. Most of these institutions are concentrated in urban centres and large markets centres. Despite the large number of financial institutions, access to credit is still a major challenge as the rate of interest charged remains high. The major beneficiaries of credit from micro finance institutions are the women and youths who are organised in groups undertaking various income generating activities. The county has a total of 30 registered SACCOs, with majority of the members preferring to access credit from these as opposed to the banks whose interest rates are quite high.

There are various development programmes being implemented in Vihiga County, some by community based organizations, non-governmental organizations (national and

international), faith based organizations foundations and private sector. The African Divine Church (ADC), for example, is supporting the education of the girl child, while John Madete Foundation is supporting needy intelligent children who cannot finance their secondary education. Others are Community Resource and Information Centre (CRIC), (xxxxxxx) please add to the list

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## **1.2 The Historical Context of Investment Policy in Kenya**

Kenya has had a long history of economic leadership in East Africa. However, inconsistent efforts at structural reforms and poor policies over the past two decades have resulted in a prolonged period of decline in development indicators and significantly eroded the leadership position at a time when other countries in the region have made significant strides. While Kenya was a prime choice for foreign investors seeking to establish a presence in Eastern Africa in the 1960s and 1970s, poor economic policies and inconsistent efforts at structural reforms, growing problems of corruption and governance, and the deterioration of public services have discouraged foreign direct investments (FDI) since the 1980s.

Although Kenya is yet to develop a National Investment Policy, the 1960s and 1970s were characterized by a country whose economic growth was strong and the Government promoted an Africanisation policy to put commerce into the hands of indigenous communities. Within the first decade of independence, the retail sector was kenyanised by ring-fencing registration such that only indigenous Africans were allowed to operate retail trade. Domestic and foreign private enterprise was encouraged and large public sector corporations were created, with heavy investment in the physical and social infrastructure. An agricultural policy that made export production the basis of economic development as part of a government policy to eradicate poverty and create employment was pursued. The government looked for companies to invest in Kenya to create employment and save the country's foreign exchange, for example, assembling vehicles locally. Previously, all these had to be imported, using up foreign exchange reserves at an alarming rate. These firms employed thousands of people and were part of the overall strategy to eradicate poverty.

The development of the Economic Recovery Strategy (ERS, 2003) and subsequent enactment of the Investment Promotion Act (IPA, 2004) outlined the type of investments to be encouraged; training and man-power development for various sectors; and promotion and marketing of these sectors. Currently, Kenya is pursuing an open regime to FDI and is in the process of developing a National Investment Policy. To demonstrate this commitment, President Uhuru Kenyatta will officiate at a Kenya Diaspora Easter Conference dubbed "Development and Innovation: Opportunities for Diaspora" from March 31 – April 2, 2015 to encourage Kenyans abroad to market the country to investors in the different sectors. Therefore, within the mandate given by the Constitution of Kenya, the County governments have an opportunity to formulate their own Investment Policies, which is not only a good financial practice, but it also provides protection for community funds entrusted to them and identifying strategies to attract direct investments in their Counties.

## **1.3 Legal context of the Vihiga County Investment Policy**

Article 66 (2) of the Constitution of Kenya gives authority to Parliament to enact legislation which ensures investments in property benefit local communities and their economies. The law also outlines the oversight responsibility of Parliament and county assemblies and the different responsibilities of other government organs in regards to trade development and regulation including markets, local tourisms; county planning and development, including housing, electricity and energy regulation. This policy will guides and communicates the County's investment philosophy, objectives and process of investing public funds, identifies the roles of those involved in the investment process and detail the requirements for compliance with the policy goals and procedures. It also provides guidelines for Vihiga

County to enhance its investment portfolio so as to achieve the highest return on investment, consistent with the objectives for which the policy has been developed.

The County will enact legislation to facilitate the establishment of County Investment Board to oversee the investment process and market the county so as to attract foreign direct and intergovernmental investments. The Policy is anchored on the Kenya's Investment Promotion Act (IPA, 2004) and will be enriched by other related legislation that may be enacted from time to time, by the government of Kenya.

Being the custodian and trustee of public assets, the County Investment Board will be required to effectively account for and manage the assets for which they are responsible. The policy will therefore guide the County Investment Board (CIB) to ensure that the county directs and controls investment in accordance with the law, approves any amendment to the investment policy and reviews the policy each year to ensure it has in place mechanisms to support the open and transparent reporting of the county's investments to CIB and to the taxpayers.

#### **1.4 The vision of the County Trade and Investment policy**

To be the destination of choice in local and foreign investments

#### **1.5 Mission of the Trade and Investment**

To develop Vihiga County to become the unique selling point for all counties in Kenya and abroad.

#### **1.6 The Investment Policy**

It will be the policy of Vihiga County to invest its funds in a manner which will provide the highest investment return consistent with a high degree of security while meeting the daily cash flow demands of the county in accordance with the law governing the investment of public funds in Kenya. Cash may, at the discretion of the County Investment Board, be invested separately by fund or be put into a common investment portfolio and earnings from such portfolio distributed monthly.

#### **1.7 Scope of the Policy**

It is the general policy of the County Investment Board to pool all cash into a common investment portfolio as authorized by the County laws on investment. This Investment policy applies to all financial assets including:

- General Funds
- Capital funds
- Enterprise Funds
- Trust Funds
- Retirement and Pension Funds
- Any other Fund that may be created by the CIB and County

It is also the general policy of the CIB to establish joint partnerships with other counties where the pooling of trade commodities can maximize return on investments. The inter-county joint partnership will be established under the relevant laws. Further, this Investment Policy guides the promotion of foreign direct investments where the county has been found to be inadequate, for example, establishment of tourist hotels, training and conference centres. However, the policy disallows the CIB from giving any rights to a foreigner to open small retail shops in the county as this is left to the citizens of the county.

**1.8 Prudence:** It is the policy of the County that all public investments shall be made with objective judgment and utmost care – under circumstances then prevailing - not for speculation, but for investment, considering the probable safety of the capital as well as the probable income to be derived.

### **1.9 Objectives of the Trade and Investment policy**

The goal of the policy is to protect, reserve and maintain cash and investments placed in the trust of the County Investment Board on behalf of citizens of Vihiga County. The objectives relate to:

**Legality:** The County's investments will be made according to the law governing investment of public funds and the provisions of all applicable bond regulations.

**Safety:** Investments of the County shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

**Liquidity:** The County investment portfolio will remain sufficiently liquid to enable it meet all operating requirements, which might be reasonably anticipated. The County Investment Board shall maintain adequate liquidity by minimizing on any short-term borrowings.

**Return on Investment:** The County investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account its investment risk constraints and the cash flow characteristics of the portfolio.

**Local Institutions:** Local institutions shall be given preference when they are, in the judgment of the County Investment Board, competitive with other institutions.

**1.10 Delegation of authority:** The County Investment Board shall investment actions shall be governed by this policy. The CIB shall be responsible for all transactions undertaken and shall establish a system of controls to regulate all investment activities, and report promptly to the County Executive any adverse development with any investment. The Assistant Finance Director shall establish and maintain detailed written procedures to implement the investment policy. The procedures will cover: safekeeping, public securities, wire transfer agreements, collateral agreements and banking service contracts. The Assistant Finance Director alone shall have authority to initiate investment transactions based on the recommendations of the CIB, provided the Assistant Finance Director has

delegate authority through a written memorandum and only with the written consent of the Finance Director in each such case.

**1.11 Ethics and conflicts of interest:** The CIB shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. The CIB shall disclose any material financial interests in financial institutions that conduct business with the County and they shall further disclose any personal financial/investment positions that could be related to the performance of the County's investment portfolio. The CIB shall henceforth be required to subordinate their personal investment transactions to those of the County, particularly with regard to the time of purchases and sales.

**1.12 Authorized financial dealers and institutions:** The Assistant Finance Director will maintain a list of financial institutions authorized to provide investment services to Vihiga County. An approved list of security dealers selected will be maintained based on credit worthiness, and who maintain in the County. Those broker/dealers who desire to become qualified bidders for investment transactions must supply to the Assistant Finance Director with their most recent audited financial statements. Upon receipt of the application, an annual review of broker/dealers will be conducted and may include an interview with the CIB as well as review of the financial condition and registrations of such institutions and broker/dealers by the Assistant Finance Director. At the request of the County, the financial institutions performing investment services for the County shall provide their most recent financial statements for review.

**1.13 Authorized & suitable investments:** The County may invest in any of the securities identified as eligible investments as prioritized by the County and governed by the laws of Kenya. These will include investment deposits (certificates of deposits) with qualified public depositories as defined by the law; certificates, notes or bonds owned by the government of Kenya; and repurchase agreements for approved securities.

**1.14 Collateralization:** Collateralization will be on repurchase agreements to anticipate market changes and provide a level of security for all funds; the collateralization level will be xxx% of market value of principal and accrued interest. The County may choose to limit collateral to the specific obligations. The collateral will always be held by an independent third party with whom the entity has a current custodial agreement (except certificates of deposits). A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained. Certificates of deposit are delivered to and held by the Assistant Finance Director's office until they mature.

**1.15 Safekeeping and custody:**

All securities transactions, including collateral for repurchase agreements, entered into by the

County shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian designated by the CIB and evidenced by safekeeping receipts listing the specific instrument, rate, maturity and other pertinent information.

**1.16 Diversification:** The City will diversify its investments by the security type and institution in manner that reduces overall portfolio risks while attaining market average rates of return. This policy is to assure that no single institution or security is invested to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency.

**1.17 Maximum maturities:** To the extent possible, the Vihiga County will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the County will not directly invest in securities maturing more than five (5) years from the date of purchase. The average maturity will be consistent with the liquidity objective. On the other hand, the County's reserve funds may be invested in securities not to exceed xxx years if the maturity of such investments is made to coincide as nearly as possible with the expected use of funds. The purpose of allowing a portion of the investments to have longer maturities is to recognize that funds may earn higher yields when invested for longer periods of time.

**1.18 Internal controls:** The County Investment Board shall establish a system of internal controls, which shall be reviewed annually by the County Auditor's Office. The purpose of this review shall be to audit the accountability of the CIB Investment Portfolio and to verify that the Investment officials have acted in accordance with the policies and procedures.

**1.19 Performance standards:** The County's investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account its investment risk constraints and cash flow needs. Securities will be purchased and sold as it best meets the needs of the County as determined by the CIB. The Assistant Finance Director will be authorized to trade before maturity if it is in the best interest of the county to do so.

**1.20 Monitoring and Reporting:** The Assistant Finance Director is charged with the responsibility of including market report on investment activity and returns in the county's Comprehensive Annual Financial Report. This report shall contain such information, as the Assistant Finance Director deems appropriate, provided that the Finance Director shall have the right to request that specific information be provided in the report. The Finance Director will determine what investment information shall be included in the -quarterly financial report. Further, monthly reports will be submitted to the Investment Board and the County. The reports will denote changes in market value and investment income.

## **2.0 PRIORITY SECTORS FOR INVESTMENT VIHIGA COUNTY**

### **2.1 Health**

#### **Objective 1: Ensure quality healthcare for the people of Vihiga County**

##### **Strategies**

- i. Upgrade the existing healthcare facilities to ensure accessibility of affordable, efficient, equitable and quality health care for the majority of the county residents
- ii. Partner with the private sector to establish specialized health care facilities
- iii. Put in place a medical worker's volunteer program to help reduce the burden on the existing few health officers in the hospitals
- iv. Subsidize the costs of medication and healthcare

### **2.2 Commerce and Industry**

#### **Objectives 1: Encourage women and youth to be involved in entrepreneurship**

##### **Strategies**

- (i) Train and mentor youth in business development skills and savings and credit culture
- (ii) Train women and young entrepreneurs in value addition
- (iii) Ensure establishment of a computer college in Vihiga county
- (iv) Convene meetings of professionals from the county to discuss the future of the county

### **2.3 Tourism and Hospitality**

#### **Objective 1: Encourage an open plan on foreign direct investment in Vihiga County**

##### **Strategies:**

- i. Promote and invite investors to establish tourist hotels, training and conference centres in Vihiga County.
- ii. Undertake local tourism of the County's tourist sites;
- iii. Setting up a command centre to monitor CCTV surveillance within the County
- iv. Trained and equipped private security firms
- v. Prepare a week long ecotourism itinerary for every year
- vi. Engage the Chamber of commerce in developing the concept papers for the various opportunities within the tourism sector
- vii. Provision for incentives to the private sector like zero land rates to propel growth in the tourism sector and other related businesses for setting up hotels, sports resorts, lodges and sports camps

### **2.4 Environmental Infrastructure (including road networks)**

#### **Objective 1: Improve road networks within the county**

##### **Strategies**

- i. In partnership with the private sector there is need to improve the transport infrastructure to those tourist sites as well as rehabilitate existing facilities before considering putting up new ones
- ii. Establish a county tourism information centre with accurate and up to date information
- iii. Develop a regulatory framework and enforce the legislation at the County level
- iv. Chamber of commerce to develop the necessary concept papers for the investors
- v. Improve drainage systems by maintain and upgrading the existing ones

- vi. Improve garbage collection and disposal by putting in place strict penalties

## **2.5 Agribusiness including aquaculture**

### **Objective 6: Improve agri-based incomes**

#### **Strategies**

- i. Coding system to get all information on production within the county
- ii. Avail information on market demand, supply and priority from the buyers
- iii. Set up collection centres
- iv. Recruit monitor and supervise the farmers willing to venture in this field
- v. Provide to the existing farmers loans to invest for expansion
- vi. Chamber of commerce to develop feasible concept papers for investors

## **2.6 Housing and Urban Planning**

### **Objective: Introduce county standards to regulate the real estate sector in the county**

#### **Strategies**

- i. Establishing more residential and commercial projects
- ii. Encourage high-rise buildings
- iii. Set up a plant for prefabricated materials to encourage modern housing development technologies
- iv. Development of modern affordable residential dwelling units

## **2.7 Education**

### **Objective 1: Strengthen vocational training for students to meet market and industrial needs**

#### **Strategies**

- i. Involve youth in practical internship programs
- ii. Chamber of commerce to bring on board more partnerships to the technical institutions and specialization centers
- iii. Strengthen vocational training to ensure that students are equipped with skills that are relevant to the market and industrial needs
- iv. Strengthen the inspection of educational facilities and curricula to ensure and uphold quality
- v. Provide bursary and other assistance to subsidize educational expenses for the needy students
- vi. Encourage talent academies partner with foreign universities and schools to develop sports leadership training/exchange programs for students from the county to ensure exposure

## **2.8 Mining**

### **Objective 1: Encourage joint partnerships in mining of gold dust from the county**

#### **Strategies:**

- i. Write concept papers to invite potential investors in mining
- ii. Write proposals to neighboring counties, such as Kakamega where mining is done seeking joint ventures such as machinery and equipment to prospect gold.

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### **3.0 MECHANISMS FOR IMPLEMENTING THE INVESTMENT POLICY**

**3.1 Establishment of a County Investment and Promotion Committee (CIPC)** – whose main role will be investment promotion including organizing exhibitions to market Vihiga inter-governmentally and outside the country.

**3.2 Foreign Direct Investment in Vihiga County** – factors and trends to attract investment – promoting good practices in improving the effectiveness of investment incentives including helping clients to identify whether and how incentives contribute to FDI inflows and policy objectives such as employment generation, export promotion and sustainable development. The policy therefore encourages identification and marketing the unique selling points of the country – in order to strategically seek investors who can undertake direct investments – for creation of employment and wealth for the county.

**3.3 Building and Strengthening Trade and Investment partnerships** – this is important both intergovernmental and foreign investors. The purpose is to pool resources to minimize risk of loss on investment.

#### **3.4 Marketing and Public Relations for Trade and Investment**

This requires continuous marketing and publicity of the unique selling points, albeit few, of the county to the citizens of the county itself and to those coming from outside the county.

**3.5 Targeting and Generating Investment Opportunities** – this requires the mapping of gaps and opportunities for trade and investment in the county.

**3.6 Managing the Investor and Investment-** this includes designing and implementing investor aftercare programs that help clients build strong relationships with existing investors to facilitate company retention, expansion, and diversification, as well as deepening links with local suppliers.

**3.7 Monitoring and Evaluation of Results of Trade and Investment – relates to** increasing investment protection by promoting best practices in tracking and resolving key regulatory implementation issues as well as in investment grievance management.

**3.8 The use of Information Technology in managing investment portfolios** – how Vihiga county will use information technology to market herself and her products and services abroad.

#### **4 Resources for implementing the Vihiga County Trade and Investment policy**

The County Investment Board will be responsible for the resource mobilization and fundraising towards the implementation of the policy. However, other finances may be mobilized from interest earned from investments and rates

#### **5 Review of the policy**

This Trade and investment policy will be reviewed annually, with due consideration to market trends and investment opportunities, both direct and indirect.

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## GLOSSARY

**Accrued interest:** The interest accumulated on a bond based on the most recent date to which interest has been paid by the County. The buyer of the bond pays the market price and accrued interest, which is payable to the seller.

**Bond:** A long-term debt security (IOU) issued by a government or corporation. It pays a stated fixed rate of interest, and returns the face value of the principle amount at maturity.

**Book value:** The amount at which an asset is carried on the books of the owner. The book value of an asset does not necessarily have a significant relationship to market value.

**Broker:** A man or a woman who brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides. In the money market, brokers are active in markets in which banks buy and sell money and in interdealer markets.

**Call option:** The right to prepay or redeem a security at a predetermined price on or after a specified future date that is earlier than its scheduled maturity date.

**Certificate of deposit (cd):** A time deposit with a specific maturity earning a specified rate of return evidenced by a certificate. Certificates of Deposit bear rates of interest in line with money market rates current at the time of issuance.

**Collateral:** Evidence of deposit or other property which a borrower pledges to secure repayment of a loan. A bank may also pledge securities to secure deposits of public monies.

**Confirmation:** A document used to state and supplement in writing the terms of a transaction which have previously been agreed to verbally.

**Dealer:** As opposed to a broker, he /she acts as a principal in all transactions, buying and selling for their own account.

**Diversification:** Dividing investment funds among a variety of securities offering independent returns.

**Liquidity** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value.

**Market value:** The price at which a security is trading and could presumably be purchased or sold.

**Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.

**Portfolio:** A collection of securities held by an investor.

**Principal:** The stated face amount of an instrument, exclusive of accrued interest.

**Prudent person rule:** An investment standard. In some countries, the law requires that a trustee may invest money only in a list of securities selected by the government. In Vihiga County, the policy provides that such list of securities will be pre-qualified by the CIB.

**Safekeeping:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's safe for protection.

**Treasury bills:** A non-interest bearing discount security issued by the Government Treasury to finance the national debt. Most bills are issued to mature in three months, six months or one year.

**Treasury bonds:** Long-term Treasury securities having initial maturities of more than ten years.

**YIELD:** The rate of an annual income return on an investment expressed as a percentage. Income Yield is obtained by dividing the current dollar income by the current market price for the security.

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## **ANNEX: REFERENCES**

1. Constitution of Kenya 2010
2. Vision 2030 MTP 2008-2012 and MTP 2013 - 2017
3. Vihiga County Integrated Development Plan
4. Kenya Investment Authority
5. UNCTAD review of Kenya's Investment Climate
6. Minutes of Vihiga County Committee meeting, chaired by the Kenya National Chambers of Commerce and Industry (Vihiga County)

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