

COUNTY GOVERNMENT OF KWALE



COUNTY TREASURY

MEDIUM TERM

2019 COUNTY FISCAL STRATEGY PAPER

Enhancing County Transformation for Inclusive Growth and Shared Prosperity

FEBRUARY 2019

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FOREWORD

This 2019 County Fiscal Strategy Paper (CFSP) is prepared at a time when we have started implementation of the second County Integrated Development Plan (CIDP) 2018-2022. The CIDP is aligned to the objectives of the Third Medium Term Plan (MTP III) of the Kenya's Vision 2030. As a consequence therefore this fiscal strategy will continue the county transformation agenda as given in the CIDP 2018-2022 while at the same time complement efforts of the National Government in achieving the Vision 2030.

The National Government is implementing "The Big Four" Plan by focusing on improved food and nutrition security, achievement of universal health coverage, increased manufacturing activities and construction of decent and affordable housing. We have given priority to development enablers by implementing county flagship projects in infrastructure, health, education and water to complement efforts to realize the "The Big Four" Plan in our county.

This CFSP is prepared against a background of resilient economy and envisaged high growth. The Kenyan economy is projected to grow by 6.0 per cent in 2018 up from 4.9 percent in 2017. The macroeconomic environment remains to be stable with inflation maintained at single digit, interest rates being low and foreign exchange rate being stable.

The expenditure policy espoused in this CFSP 2019 will involve curtailing resources on non-priority areas and channeling them to high priority areas in education, health, water and infrastructure. In order to enhance revenues mobilization we will lobby for faster enactment of the Finance Bill and other revenue raising measures. This will expand the revenue base as we strengthen revenue administration by fully implementing automation.

Lastly I would like to thank H.E. the Governor and H.E Deputy Governor for the wise counsel and guidance in preparation of this document. My sincere appreciation goes to my Executive Committee colleagues for their contributions. Various stakeholders including the public gave their inputs and we equally appreciate them.

**HON. BAKARI SEBE,
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ACKNOWLEDGEMENT

The 2019 CFSP is prepared in accordance with the provisions of section 117 of the Public Finance Management Act (PFMA), 2012. It outlines the current state of the Kenyan economy and its outlook over the medium term. This will have a bearing on the county's economy and thereby our fiscal plan. Further, it specifies the county's strategic priorities and policy objectives with a summary of departments spending plans. This will form a basis for the FY 2019/2020 budget. This paper will facilitate understanding of the county's public finances and guide public deliberations on development matters in the county.

The 2019 CFSP emphasizes the exploitation of Kwale's immense potential for growth and sustainable development through the implementation of high impact socio- economic and infrastructural programmes and projects. These programmes and projects will call for enormous capital outlay. This will therefore call for strengthened relationships among various stakeholders including the local communities, donors, the private sector, the National Government and other stakeholders.

The preparation of this 2019 CFSP was a collaborative effort of various stakeholders who gave valuable inputs. We are grateful for their contribution. The County Budget & Economic Planning team spent significant amount of time in collating and consolidating information for this CFSP. We appreciate their tireless effort and dedication.

ALEX ONDUKO
CHIEF OFFICER FINANCE & ECONOMIC PLANNING

ACRONYMS AND ABBREVIATIONS

BPS	Budget Policy Statement
CBEF	County Budget and Economic Forum
CBROP	County Budget Review and Outlook Paper
CBOs	Community Based Organizations
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CCG	Council of County Governors
CEC	County Executive Committee
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
COFOG	Classification of Functions of Government
CPI	Consumer Price Index
CHVs	Community Health Volunteers
ECDE	Early Childhood Development Education
EU	European Union
FY	Financial Year
IBEC	Intergovernmental Budget and Economic Council
IFMIS	Integrated Financial Management Information System
KBRR	Kenya Banks Reference Rate
KNBS	Kenya National Bureau of Statistics
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan

NGOs	Non-Governmental Organizations
PER	Public Expenditure Review
PFMA	Public Finance Management Act
PWDs	Persons with Disabilities
SGR	Standard Gauge Railway
SDGs	Sustainable Development Goals
SMEs	Small and Medium Enterprises
SSA	Sub -Saharan Africa
SWGs	Sector Working Groups
US	United States
TVET	Technical Vocational Education Training
WEO	World Economic Outlook
WSTF	Water Services Trust Fund

About The County Fiscal Strategy Paper

The County Fiscal Strategy Paper (CFSP) is a county government policy document that sets out the county's strategic priorities and policy objectives that will guide the preparation of the county budget for the coming financial year and over the medium term. Section 117 of the PFM Act 2012 states that the County Treasury shall prepare and submit to the County Executive Committee the CFSP for approval. Then the approved CFSP is to be submitted to the County Assembly by the 28th of February each year.

The County Assembly shall in not more 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 shall take into account resolutions passed by the County Assembly in finalizing the budget for the coming financial year.

The County Fiscal Strategy Paper contains:

- a) The broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.
- b) An assessment of the current state of the economy including macro-economic forecasts.
- c) The financial outlook with respect to county government revenues, expenditures and borrowing for the financial year and over the medium term.
- d) The proposed expenditure ceilings for the County Government Executive departments and the Assembly.
- e) The fiscal responsibility principles and financial objectives over the medium term.
- f) Statement of specific risks.

The preparation of the County Fiscal Strategy Paper is a consultative process that involves seeking and taking into account the views of the Commission on Revenue Allocation (CRA); the public; any other interested persons or groups; and any other forum that is established by the PFM Act 2012. The County Treasury shall align its County Fiscal strategy Paper with the national objectives in the Budget Policy Statement (BPS).

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CHAPTER ONE: RECENT ECONOMIC DEVELOPMENTS

1.0 Overview of Recent Economic Developments

1.1 Global and Regional Economic Developments

1. Global growth is projected to remain steady and grow by 3.7 percent in 2018 and 2019. The leveling-off is driven by the recently announced trade measures, including the tariffs imposed on \$200 billion of US imports from China, closure of output gaps in advanced economies, moderation in trade and investment, and a gradual tightening of financing conditions due to ongoing withdrawal of accommodative monetary policy in advanced economies. Global growth optimism is constrained by rising trade tensions likely to have a negative impact on confidence, asset prices, global trade and investments.

2. In advanced economies, growth is expected to pick up to 2.4 percent in 2018 up from 2.3 percent in 2017 mainly supported by strong fiscal stimulus in the USA. This growth is however constrained by a slowdown in economic growth in the Euro area and the United Kingdom due to declining global trade and industrial production. Growth is projected to ease to 2.1 percent in 2019 reflecting consequence of the trade war.

3. Among emerging markets and developing economies, growth is expected to stabilize at 4.7 percent in 2018 and 2019 reflecting offsetting developments as growth moderates to a sustainable pace in China, while it improves in India reflecting increased domestic demand. Higher oil prices have also lifted growth among fuel-exporting economies in sub-Saharan Africa and the Middle East.

4. Growth prospects for sub-Saharan Africa continue to strengthen. Growth is expected to improve from 2.7 percent in 2017 to 3.1 percent in 2018 and further to 3.8 percent in 2019, supported by a stronger global growth, higher commodity prices, improved capital market access and contained fiscal imbalances in many countries. However, downside risks may arise from uncertainties in the run up to the 2019 general elections in South Africa.

Table 1: Global Economic Growth, Percent

REGION/ COUNTRY	Actual	Estimated	Projected
	2017	2018	2019
World	3.7	3.7	3.7
Advanced Economies	2.3	2.4	2.1
Of which: USA	2.2	2.9	2.5
Emerging and Developing Economies	4.7	4.7	4.7
Of which: China	6.9	6.6	6.2
India	6.7	7.3	7.4
Sub – Saharan Africa	2.7	3.1	3.8
Of which: South Africa	1.3	0.8	1.4
Nigeria	0.8	1.9	2.3
EAC – 5	5.3	5.9	6.3
Of which: Kenya	4.9	6.0*	6.2*

EAC – 5: Burundi, Kenya, Rwanda, Tanzania and Uganda

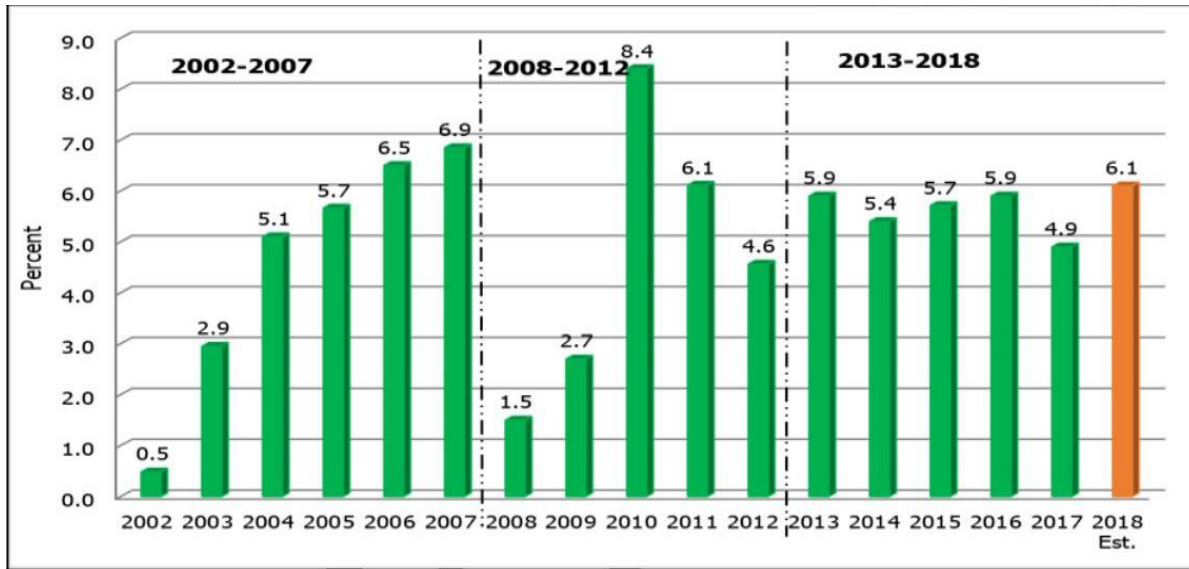
Source: *October 2018 WEO; * Projections by the National Treasury*

5. Growth in the East African Community (EAC) region is estimated to rise to 5.9 percent in 2018 from 5.3 percent in 2017. This growth is driven by a rebound in agricultural activity on the backdrop of favorable weather conditions and a pickup in private sector credit growth. In 2019, economic growth is projected to increase to 6.3 percent supported by a stable macroeconomic environment, ongoing infrastructure investments, and strong private consumption.

1.2 Domestic Economic Developments

6. Kenya’s economic growth has remained strong and resilient even under emerging global challenges, supported by strong public and private sector investment and appropriate economic and financial policies. The broad-based economic growth has averaged 5.6 percent for the last five years outperforming the average growth rate of 4.7 percent in the period 2008 to 2012 and 4.6 percent in the period 2002 to 2007. The rebound in economic activity in 2018 is a reflection of improved rains, better business sentiment and easing of political uncertainty.

Figure 1: Trends in Kenya's Economic Growth Rates, Percent



Source: Kenya National Bureau of Statistics

7. The economy grew by 6.2 percent in the second quarter of 2018 up from 5.8 percent in the first quarter of 2018 and 6.0 percent in the third quarter of 2018 thus averaging 6.0 percent in the first three quarters of 2018. Growth is projected at 6.0 percent in 2018 up from 4.9 percent in 2017, which is in line with the 2018 Budget Review and Outlook Paper (BROP) projection.

8. This growth was mainly supported by improved weather conditions which led to increased agricultural production and agro processing activity in the manufacturing sector. In addition, this growth was supported by pickup in activities of accommodation and food services, electricity and water supply and construction sectors. Table 2 shows the growth in GDP per sector for the period 2013-2018.

Table 2: Sectoral Real GDP Growth Rates, Percent

	2013	2014	2015	2016	2017	2018Q1	2018Q2	2018Q3
Primary Sector	5.0	4.8	5.6	4.9	1.8	5.3	5.3	5.4
Of which: Agriculture	5.4	4.4	5.3	4.7	1.6	5.3	5.4	5.2
Mining	-4.2	14.9	12.3	9.5	6.1	4.5	3.5	8.5
Industry	5.9	5.6	7.0	5.5	3.4	4.1	4.8	5.1
Of which: Manufacturing	5.6	2.5	3.6	2.7	0.2	2.3	3.1	3.2
Electricity and water supply	6.6	6.1	8.5	8.3	5.6	5.1	8.6	8.5
Construction	6.1	13.1	13.8	9.8	8.6	7.2	6.1	6.8
Services	5.4	6.3	6.4	6.5	6.2	6.4	6.7	5.9
Of which: Wholesale and retail trade	8.4	6.9	5.9	3.4	5.8	6.2	7.7	6.8
Accommodation and restaurant	-4.6	-16.7	-1.3	13.3	14.7	13.5	15.7	16.0
Transport and storage	1.3	5.5	8.0	7.8	7.4	7.1	7.8	5.4
Information and Communication	12.5	14.5	7.4	9.7	11.0	12.0	12.6	9.1
Financial and Insurance	8.2	8.3	9.4	6.7	3.1	2.6	2.3	2.6
Real Estate	4.1	5.6	7.2	8.8	6.1	6.8	6.6	5.8
GDP Growth	5.9	5.4	5.7	5.9	4.9	5.8	6.2	6.0
Of which: Non- agricultural GDP	5.4	6.1	6.4	6.4	5.9	6.0	6.3	5.8

Source: Kenya National Bureau of Statistics

9. Agriculture sector recovered and recorded growth of 5.2 percent in the third quarter of 2018 compared to a growth of 3.7 percent in a similar quarter of 2017, supported by improved weather conditions. This enabled the agriculture sector to contribute 1.0 percentage points to GDP growth in the third quarter of 2018 compared to 0.7 percentage points in the same period in 2017. The current recovery in the agriculture sector is broad-based and reflected in the expansion of output of key food and cash crops such as tea, coffee and fruits.

10. The Non-agricultural sector (service and industry) remained vibrant and grew by 5.8 percent in the third quarter of 2018 up from a growth of 5.1 percent in a similar quarter in 2017. It has the largest percentage points to real GDP growth at 4.0 percentage points mainly supported by the service sector.

11. Services remained the main source of growth and expanded by 5.9 percent in the third quarter of 2018 compared to a growth of 5.6 percent in the same quarter in 2017. The service sector was supported by improved growth in accommodation and restaurant (16.0 percent), wholesale and retail trade (6.8 percent), transport and storage (5.4 percent) and financial and insurance (2.6 percent).

12. Services contributed 3.1 percentage points to real GDP growth in the third quarter of 2018 largely supported by wholesale and retail trade (0.6 percentage points), Real Estate (0.5 percentage points) and Transport and storage (0.4 percentage points).

13. The performance of Industry improved to a growth of 5.1 percent in the third quarter of 2018 compared to a growth of 2.3 percent in the same quarter in 2017 following increased activities in the manufacturing, construction and electricity and water supply sectors. The recovery of the manufacturing sector was attributable to agro-processing activities that benefitted substantially from increased agricultural production. The industry sector accounted for 0.9 percentage points to growth in the third quarter of 2018, largely driven by the construction and manufacturing sectors which contributed 0.4 percentage points and 0.3 percentage points, respectively.

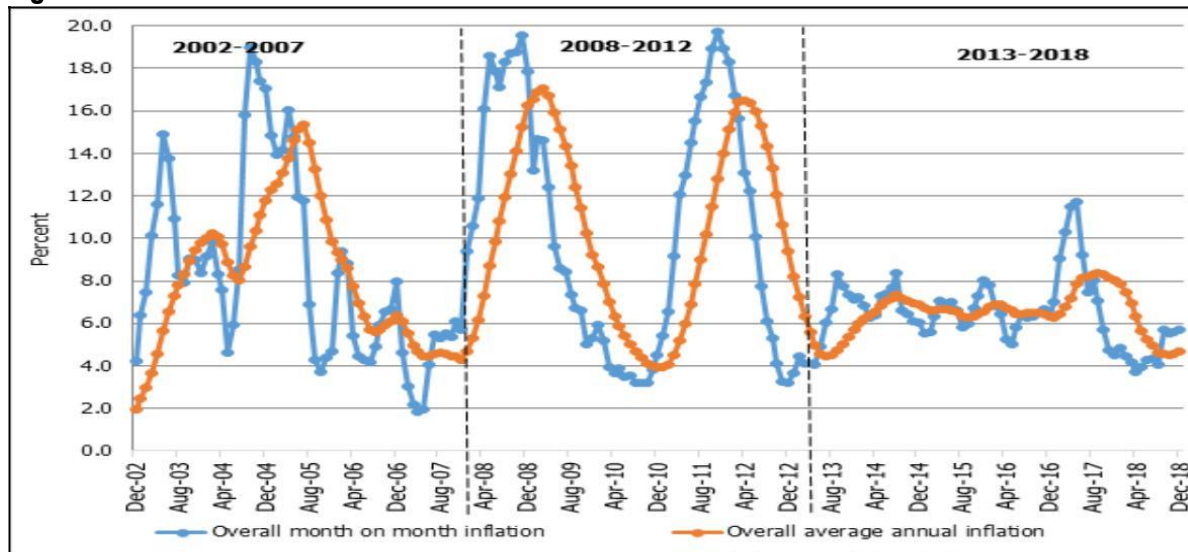
14. Growth in the Electricity and Water supply remained vibrant driven by increased use of less input intensive sources of energy such as hydro generated electricity supported by sufficient rainfall and geothermal power generation coupled with a slowdown in growth of thermal generation.

1.3 Performance of the Kenya's Macro – Economic Indicators

1.3.1 Inflation Rate

15. Inflation rate was highly volatile in the period 2008-2012 and averaged 10.6 percent compared to the period 2003-2007 when it averaged 8.5 percent. The sharp increase in inflation rate in the year 2008 to 2010 was occasioned by internal shocks (post-elections disruptions and unfavorable weather conditions) and external shocks (high crude oil prices and global financial crisis). The tightening of monetary policy, together with an easing in global food and fuel prices, saw the levels of inflation come under control in 2012.

Figure 2: Inflation Rates



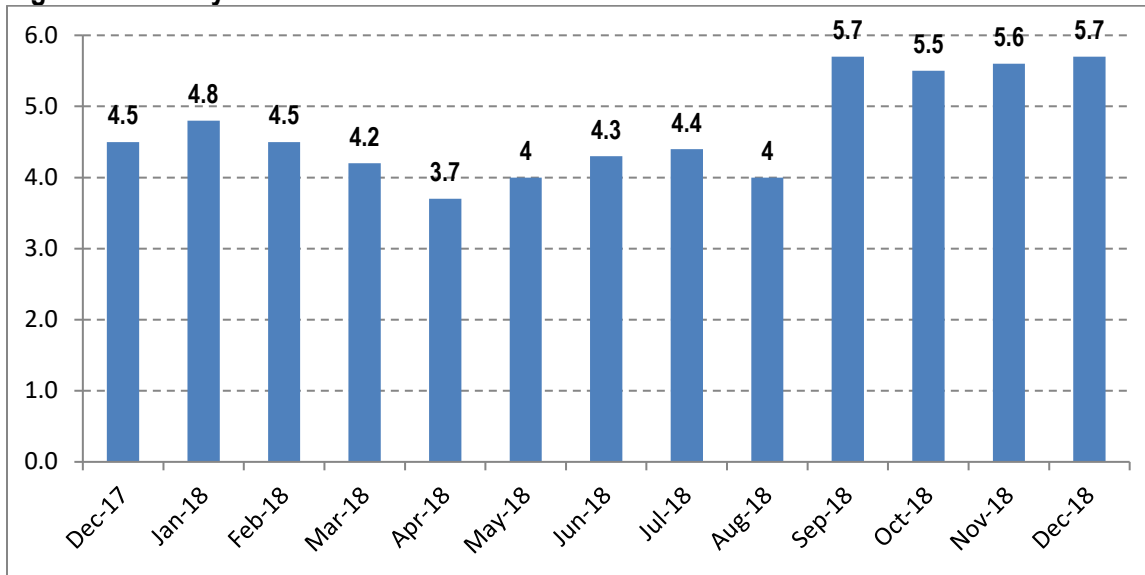
Source: Kenya National Bureau of Statistics

16. Inflation has been low, stable and within the Government target range of 5+/-2.5 percent in the period 2013 to 2018 (averaging 6.4 percent) as a result of prudent monetary and fiscal policies. The inflationary pressure witnessed in 2017 due to drought that affected food prices eased in 2018 supported by improved weather conditions that resulted in lower food prices.

17. Month-on-month overall inflation remained stable and within target at 5.7 percent in December 2018 from 5.6 percent in November 2018, owing to a decline in food prices particularly maize, onions and tomatoes following improved weather conditions and a decline in energy prices following lower costs in prices of electricity and diesel. However, overall Inflation increased from 4.5 percent in December 2017 to 5.7 percent in December 2018 on account of an increase in international oil prices.

18. Lower and stable inflation rates are a pre-requisite for stimulating county economic growth. With controlled lower inflation, the consumers purchasing power is improved thereby leading to increased productivity due to higher demand for goods and services. Other areas expected to benefit include low cost of doing business as a result of increased access to cheap loans for capital. This in turn will boost entrepreneurial activities by the local entrepreneurs and traders and improve the general living standards.

Figure 3: Monthly Inflation Rates

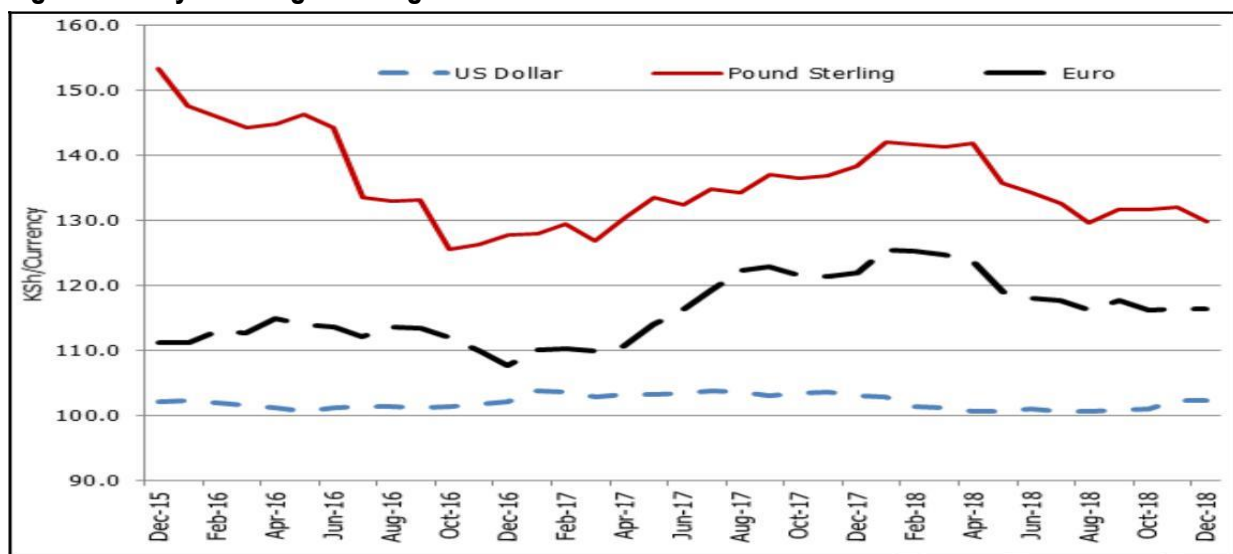


Source: Kenya National Bureau of Statistics

1.3.2 Kenya Shilling Exchange Rate

19. The Kenya Shilling exchange rate remained broadly stable and competitive against major international currencies. Against the dollar, the exchange rate has been relatively less volatile exchanging at Ksh 102.3 in December 2018 from Ksh 103.1 in December 2017. Against the Euro and the Sterling pound, the Shilling also strengthened to Ksh 116.4 and Ksh 129.7 in December 2018 from Ksh 122.0 and Ksh 138.2 in December 2017, respectively.

Figure 4: Kenya Shilling Exchange Rate



Source: Central Bank of Kenya

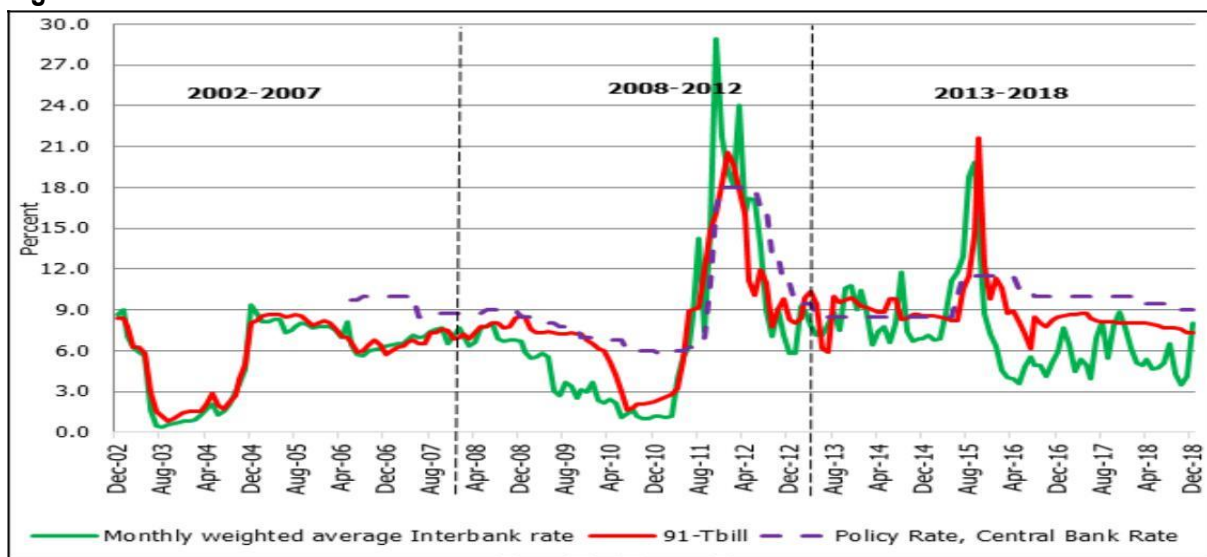
20. The Kenya Shilling exchange rate has continued to display relatively less volatility, compared to most Sub - Saharan Currencies. This stability reflects strong inflows from tea and horticulture exports, resilient diaspora remittances and improved receipts from services particularly tourism.

21. At the County level, stable exchange rate in favour of the Kenyan Currency is paramount for county economic growth. This will improve investors’ confidence in the county economy as opposed to other Sub – Saharan regions. Consequently, more employment opportunities will be created in the county as due to the increased capital investments and also improved performance in the tourism and trade sector. In addition, returns from exports will improve in favour of our exports such as livestock and livestock products due to increased demand.

1.3.3 Interest Rates

22. Interest rates have been low and stable for the period 2002 to 2011 due to ample liquidity in the money market. However, interest rates increased in 2012 following tight monetary policy stance in order to ease inflationary pressures. Interest rates remained stable and low in the period 2013-2018 except June – December 2015 when world currencies were under pressure.

Figure 5: Short – Term Interest Rates



Source: Central Bank of Kenya

23. Commercial banks’ average interest rates remained stable and compliant with the interest rate capping law that was effected in September 2016. The CBR was reduced to 9.0 percent from 9.5 percent in March 2018 and as a result the lending rate declined to 12.6 percent in October 2018

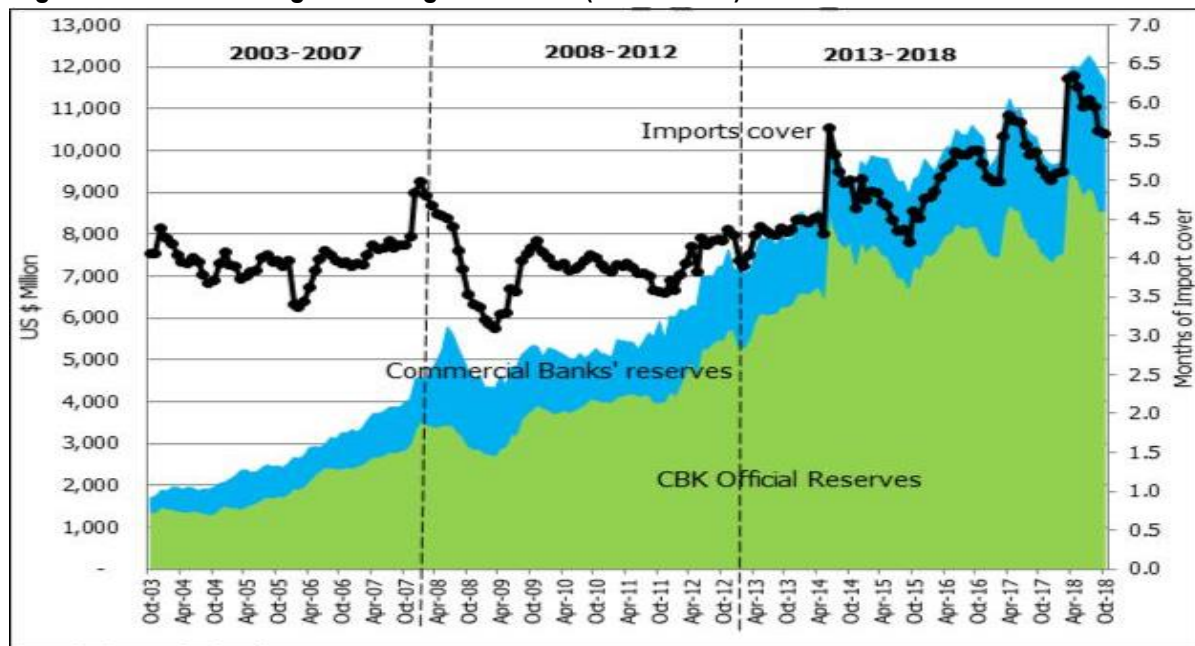
compared to 13.7 percent in October 2017. The deposit rate also declined to 7.6 percent from 8.2 percent over the same period. Consequently, the interest spread declined from 5.9 percent in October 2017 to 5.0 percent in October 2018.

24. Interest rates form a key component for stimulating county economic growth. At the county level, lower and stable interest rates would enhance the business environment through access to cheap credit by local traders and investors. This, coupled with access to the County Trade Revolving Fund (CTRF) will encourage people to spend which increases the demand for goods and services. This encourages businesses to raise production and sales, supporting more jobs and economic expansion.

1.3.4 Foreign Exchange Reserves

25. Foreign exchange reserves have increased from around 3.0 months of import cover in 2003 to above 5.5 months of import cover in 2018 which is above the statutory requirement of 4.0 months of import cover and thus remain adequate to safeguard against exogenous shocks.

Figure 6: Official Foreign Exchange Reserves (US\$ Million)



Source: Central Bank of Kenya

1.4 General Performance of the County Economy

1.4.1 County Economic Activities

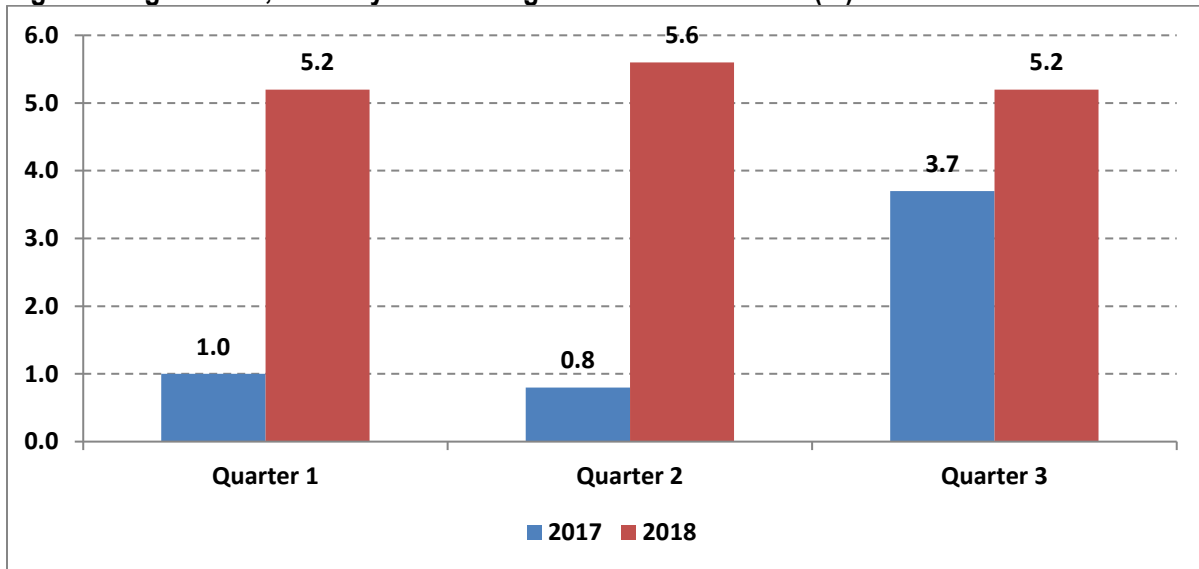
1.4.1.1 Agriculture, Forestry and Fishing Sector

26. Weather conditions that prevailed in the third quarter of 2018 were favourable to agricultural activities and therefore supportive of growth. During the quarter, the sector expanded by 5.2 per cent compared to a growth of 3.7 per cent in the same quarter of 2017. Prices of key food crops remained low during the quarter compared to the corresponding quarter of 2017, an indication of relative stability in supply.

27. Growth in the sector was supported by increased production of key cash crops during the review period. The volume of tea produced rose by 12.3 per cent from 102.6 thousand metric tonnes in the third quarter of 2017 to 115.2 thousand metric tonnes in the review quarter. Similarly, the volume of coffee exported rose by 8.5 per cent from 9.4 thousand metric tonnes in 2017 to 10.2 thousand metric tonnes in the quarter under review. The horticulture sub-sectors posted mixed performances during the quarter with significant increase (67.0%) in production of fruits and marginal declines in production of cut flowers and vegetables. Overall, the increase in volume of fruit exports far outweighed the declines in the volume of export of cut flowers and vegetables during the quarter in review.

28. In the dairy sub-sector, the volume of milk deliveries to processors rose by 4.6 per cent from 153.3 million litres in the third quarter of 2017 to 160.4 million litres in the quarter under review. The improved performance was supported by sufficient rains during the quarter that ensured adequate supply of pastures.

Figure 7: Agriculture, Forestry and Fishing Sector Growth Rates (%)



Source: Kenya National Bureau of Statistics

29. At the County level, the County Government implemented a number of programmes and activities with the aim of enhancing agricultural productivity. Such initiatives include provision of agricultural inputs to farmers, support to agricultural mechanization to ease the land preparation burden, promotion of drought tolerant crops and support to agricultural extension services.

30. In the livestock sub sector, the County Government implemented the animal breeds' promotion project, provision of improved chicks and cockerels for local poultry upgrading and improving bee-keeping production and productivity (material and skills enhancement). Other areas of intervention are vaccination of livestock against diseases, improving artificial insemination services and construction of vaccination crushes.

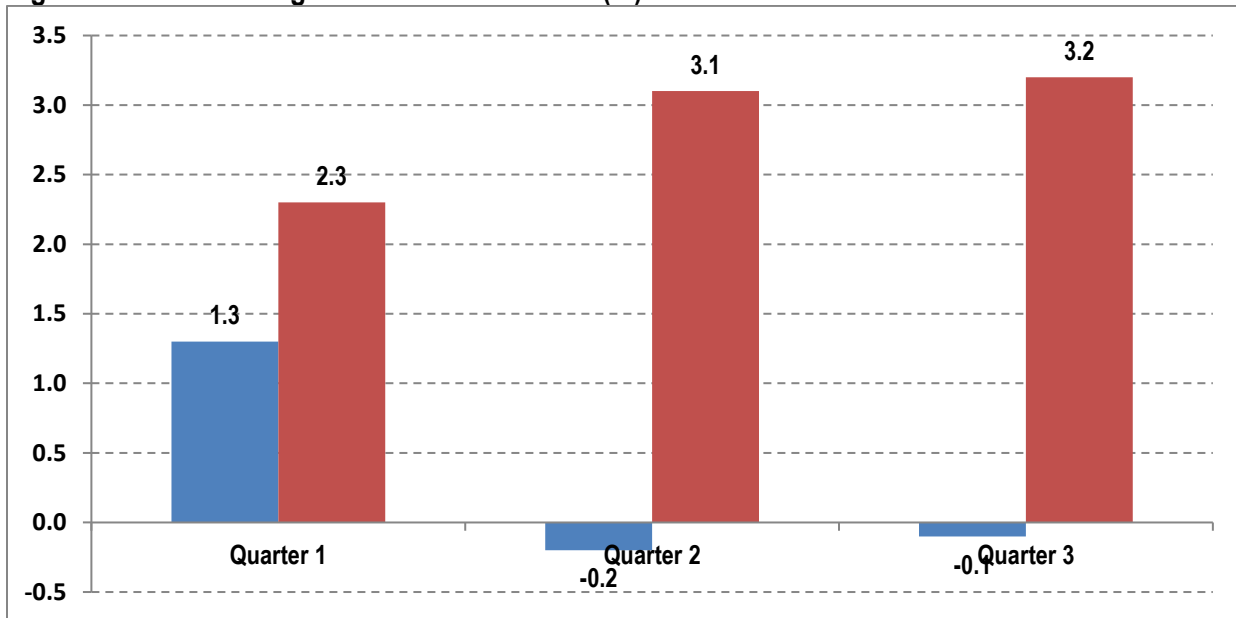
31. In order to promote fish farming, the County Government procured and issued fishing boats & their accessories to community Beach Management Units (BMUs), rehabilitated fish landing sites and provision of rescue boats.

1.4.1.2 The Manufacturing and Industry Sector

32. Quarter on quarter growth comparison shows that there was a rebound in manufacturing activities from a contraction of 0.1 per cent in the third quarter of 2017 to a growth of 3.2 per cent. The sector recovered from declines recorded in 2017 as shown by growths reported in the last three quarters of 2018. Improved performances were recorded in both manufacture of food and non-food activities, though production in some activities remained constrained. Growth in the food sub-sector was driven by manufacture of dairy products, beverages, and sugar, processing of tea and coffee.

33. Similarly, under manufacture of non-food products, the sector benefitted from enhanced performances in activities of printing and reproduction of recorded media, assembly of motor vehicles, manufacture of basic chemicals, fertilizers, and primary plastics, pharmaceutical products and preparations. However, some activities in the sector contracted during the review period. Notable underperformances were also reported in manufacture of some nonfood products especially in manufacture of textiles and clothing, and paper and paper products.

Figure 8: Manufacturing Sector's Growth Rates (%)



Source: Kenya National Bureau of Statistics

34. The huge growth potential for manufacturing in the county remains untapped. With the establishment of Special Economic Zones via the Dongo Kundu free port project, this potential stands to be unlocked as multiplier effects in terms of growth in other sectors is expected. In the county, Asante Capital opened up an industry for manufacturing veneer in Ukunda. This is expected to create more job opportunities for the citizens. The County Government will going forward construct a fruit processing plant in Kubo South and a modern wholesale market in Kombani.

1.4.1.3 Construction and Real Estate Sector

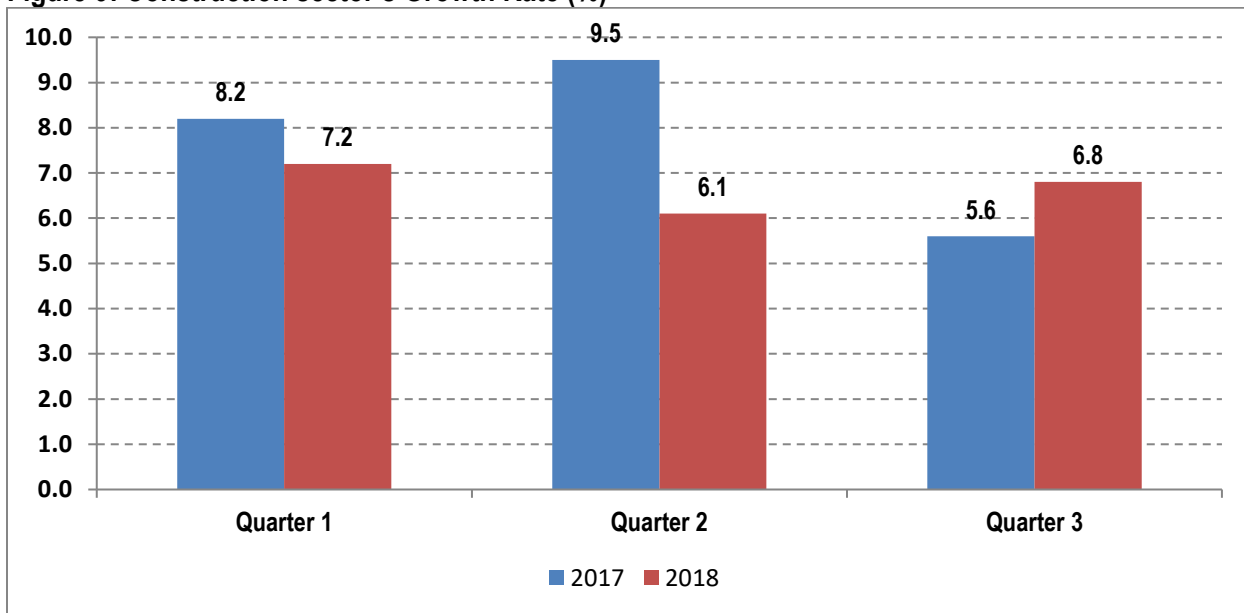
35. Performance of the construction sector improved in the third quarter compared to the same quarter of 2017. The sector grew by 6.8 per cent in the quarter under review compared to 5.6 per cent growth registered in the third quarter of 2017. The sector's growth in 2018 was supported by the construction of the second phase of the Standard Gauge Railway (SGR).

36. Overall, import of construction related materials increased by 39.3 per cent in the second quarter of 2018. The volumes of imported construction materials were relatively high in cement, petroleum bitumen and iron and non-alloy steel. Consumption of cement declined by 6.8 per cent in the quarter under review, an indication of slowed activity in the sector.

37. Credit to the construction industry grew by 12.4 per cent, a further reflection that the sector was vibrant during the third quarter reflecting the good performance compared to the similar period in 2017.

38. The sector's contribution to GDP improved to 5.4 percent in the second quarter compared to 5.0 percent recorded in the first quarter.

Figure 9: Construction sector's Growth Rate (%)



Source: Kenya National Bureau of Statistics

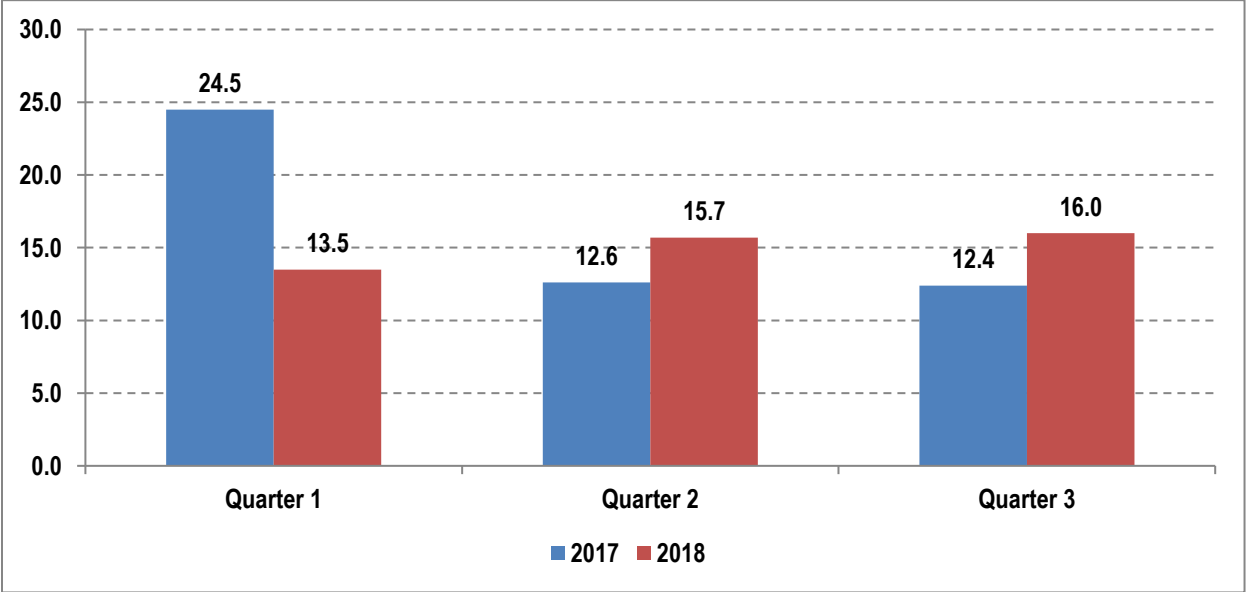
39. Infrastructure is one of the key enablers to the growth and transformation of any economy. As such, the County Government has proposed to allocate a bigger share of the County's resources to the department of Roads and Public Works to improve on the county's road network. To this end, the county has identified three flagship projects for implementation in this sector in order to ease transportation and attract more investors. These projects are the upgrading to bitumen status of the Kona Ya Musa to Kona Ya Masai road, the Kona Ya Jadini to Lotfa road and the Mkilo to Kalalani road.

1.4.1.4 Tourism Sector

40. The Accommodation and Food service sector has been growing steadily mainly owing to improved security, political stability as well as the continued marketing of the country's tourist attraction sites. The sector grew by 16.0 per cent in the third quarter of 2018 compared to a growth of 12.4 per cent in the third quarter of 2017. During the quarter, visitor arrivals through the two major airports grew by 17.7 per cent from 282,461 in the third quarter of 2017 to 332,426 visitors in the quarter under review. There was also a notable rise in conference activities during the quarter under review.

41. Although the sector’s growth rate has been improving over the last few years, the sector’s contribution to GDP has been very low. The sector contributed 1.5 percent and 1.0 percent to the GDP in the first and second quarters respectively.

Figure 10: Tourism Sector’s Growth Rates (%)

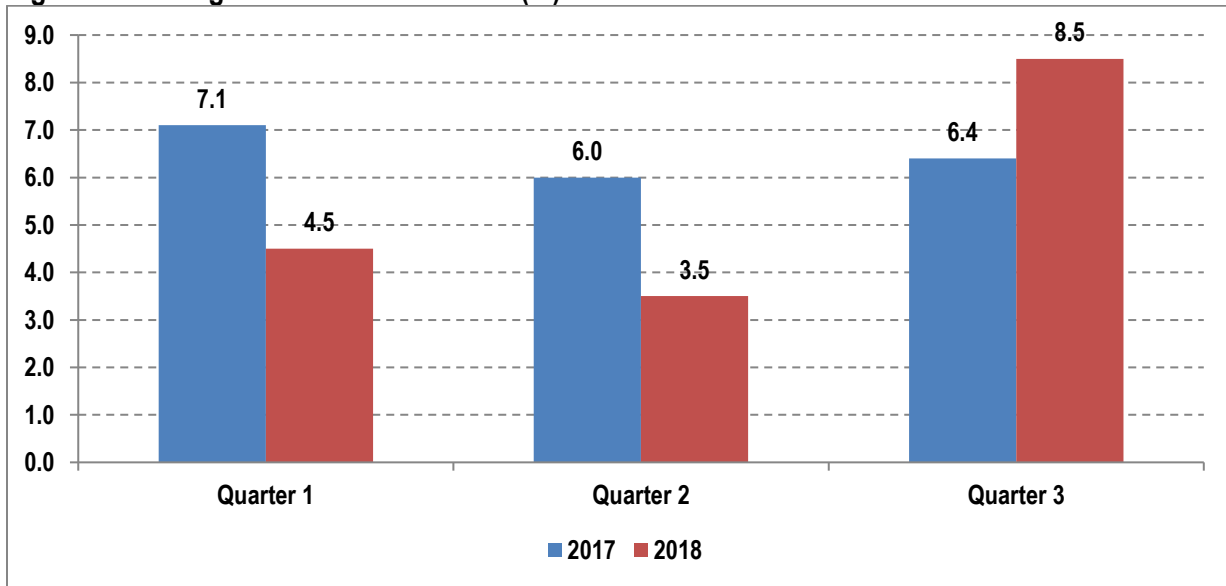


Source: Kenya National Bureau of Statistics

1.4.1.5 Mining Sector

42. The mining sector recorded an improved performance of 8.5 percent in the third quarter of 2018 compared to a growth of 6.4 percent recorded in the same period in the previous year 2017. This can be attributed to high earnings from the activities of titanium mining within the county. However, the sector’s contribution to GDP still remains low at 1.1 percent and 1 percent in the first and second quarters of the review period.

Figure 11: Mining Sector's Growth Rates (%)



Source: Kenya National Bureau of Statistics

43. Mining is ongoing both large scale and small scale in the County. Main mining is done by the Base Titanium in Msambweni sub county areas of Kinondo, Ramisi and Pongwe-Kiconeni ward. Apart from offering employment opportunities to the county citizens, Base Titanium has been engaged in corporate social responsibility programmes such as school bursaries, construction of nursery schools and health facilities and provision of ambulances. One notable contribution towards county health infrastructure is the construction of the blood bank building in Msambweni

1.5 Fiscal Performance in FY 2018/19 and Emerging Challenges

1.5.1 Overview

44. Implementation of the FY2018/2019 budget is progressing well despite the initial challenges encountered within the first quarter of the financial year mainly brought about by the delay in the release of funds by the National Exchequer.

1.5.2 County Revenue Performance

45. In the first half of the year, the County received a total cumulative revenue of **Kshs.2,559,452,860.80** from both the National Government remittances and the County own revenue. This represents a significant revenue growth of **37.01 percent** compared to Kshs.1, 868,029,316.00 received during the same period in the previous financial year. In addition, the County Government rolled over Kshs.3, 129,661,320.00 to the FY2018/2019 as commitments from the previous FY2017/2018.

46. The National Government remittances amounted to Kshs.2, 463,767,120.80 by the end of the half year period ending 30th December, 2018. This was an improvement of 35.52 percent compared to Kshs.1, 817,950,699.00 received during the same period in FY2017/2018. The county own revenue also improved significantly by 91.07 percent to Kshs.95,685,740.00 against Kshs.50,078,617.00 collected during the same period in the previous financial year.

47. Although the county own revenue collection improved significantly in the half year period of the FY2018/19, it is still below target at 31.57 percent of the annual target. This could be attributed to a number of challenges including lack of relevant tax laws including finance Act, Liquor licencing act among others. Others are inadequate enforcement and compliance personnel and inadequate customer awareness on the relevant payments to be made.

Table 3 : Actual Revenue Collection as at half year period, FY2018/19

REVENUE SOURCE	QUARTER 1	QUARTER 2	TOTAL
RECEIPTS FROM ADMINISTRATIVE FEES AND CHARGES	480,250.00	624,852.00	1,105,102.00
LAND RATES	5,581,613.00	4,755,984.00	10,337,597.00
BUSINESS PERMITS	7,490,311.00	-	7,490,311.00
CESSSES	1,025,988.00	1,420,420.00	2,446,408.00
PLOT RENTS	683,100.00	732,173.00	1,415,273.00
ADMINISTRATIVE SERVICES FEES	261,190.00	163,300.00	424,490.00
VARIOUS FEES	419,745.00	87,500.00	507,245.00
COUNCILS NATURAL RESOURCES EXPLOITATION	4,613,782.00	4,991,327.00	9,605,109.00
LEASE/RENTAL OF COUNCIL'S INFRASTRUCTURE ASSETS	291,000.00	359,000.00	650,000.00
OTHER MISCELANEOUS REVENUES	78,200.00	106,150.00	184,350.00
MARKET/TRADE CENTRE FEE	2,951,657.00	3,053,797.00	6,005,454.00
VEHICLE PARKING FEE	3,311,746.00	3,374,043.00	6,685,789.00
HOUSING	245,016.00	785,280.00	1,030,296.00
PUBLIC HEALTH SERVICES	590,400.00	548,002.00	1,138,402.00
PUBLIC HEALTH FACILITIES OPERATIONS	14,936,201.00	23,849,378.00	38,785,579.00
SLAUGHTER HOUSES ADMINISTRATION	228,405.00	106,327.00	334,732.00
TECHNICAL SERVICES FEES	3,457,269.00	4,082,334.00	7,539,603.00
LOCAL REVENUE	46,645,873.00	49,039,867.00	95,685,740.00
EXCHEQUER RELEASES	376,800,000.00	2,086,967,120.80	2,463,767,120.80
TOTAL REVENUE	423,445,873.00	2,136,006,987.80	2,559,452,860.80

Source: Kwale County Treasury

1.5.3 County Expenditure Performance

48. During the half year period ending 30th December, 2018, the County Government spent a total of **Kshs.2, 337,273,487.00** against an annual approved budget of Kshs.12, 232,917,747.00 representing an absorption capacity of 19.11 percent. The actual recurrent and development expenditure stood at Kshs.1, 394,468,852.00 and Kshs.942, 804,635.00 representing absorption rates of 29.3 percent and 12.6 percent respectively.

Table 4: Actual Expenditure as at half year period, FY2018/19

DEPARTMENT	ACTUAL EXPENDITURE		
	RECURRENT	DEVELOPMENT	CUMMULATIVE EXPENDITURE
COUNTY EXECUTIVE SERVICES	19,969,177.00	22,445,021.00	42,414,198.00
PUBLIC SERVICE AND ADMINISTRATION	53,196,276.00	13,817,934.00	67,014,210.00
FINANCE AND ECONOMIC PLANNING	109,631,379.00	-	109,631,379.00
AGRICULTURE, LIVESTOCK AND FISHERIES	29,237,092.00	13,414,577.00	42,651,669.00
EDUCATION, RESEARCH AND HR DEVELOPMENT	190,185,599.00	176,273,763.00	366,459,362.00
HEALTH SERVICES	559,180,599.00	162,712,317.00	721,892,916.00
TRADE AND COOPERATIVE DEVELOPMENT	14,088,268.00	15,134,360.00	29,222,628.00
COMMUNITY DEVELOPMENT, CULTURE AND TALENT MANAGEMENT	37,781,798.00	28,326,506.00	66,108,304.00
INFRASTRUCTURE AND PUBLIC WORKS	35,642,744.00	199,507,210.00	235,149,954.00
TOURISM, INVESTMENT AND ICT	13,045,365.00	42,776,899.00	55,822,264.00
LANDS, PHYSICAL PLANNING AND NATURAL RESOURCES	14,842,777.00	28,326,506.00	43,169,283.00
WATER SERVICES	16,014,992.00	218,172,411.00	234,187,403.00
COUNTY PUBLIC SERVICE BOARD	11,623,735.00	-	11,623,735.00
COUNTY ASSEMBLY	290,029,051.00	21,897,131.00	311,926,182.00
TOTAL	1,394,468,852.00	942,804,635.00	2,337,273,487.00

Source: Kwale County Treasury

CHAPTER TWO: ENHANCING COUNTY TRANSFORMATION FOR INCLUSIVE GROWTH AND SHARED PROSPERITY

2.1 Preamble

49. The theme for the second County Integrated Development Plan (CIDP) is transforming Kwale together. This 2019 CFSP reaffirms the county's leadership commitment in ensuring faster county transformation. Achievement of the county's transformation is pegged on the implementation of the strategic priorities and programmes outlined in the second CIDP 2018-2022. This 2019 CFSP emphasizes the strategic priorities and policy goals outlined in the recent County Annual Development Plan (CADP) 2019/2020 which implements the second CIDP strategic interventions.

50. The five main strategic priorities include: (i) enhancing education to create a robust and skilled human resource base, (ii) guaranteeing access to universal healthcare, (iii) investing in infrastructure such as the upgrading and tarmacking of key roads, improvement of water supply and sanitation systems, establishing agro- based industrial plants, markets construction and energy connectivity(iv) expanding food and agricultural production and promotion of the Blue economy(v) strengthening the land tenure system to settle the landless and marginalized sections of our society, undertake spatial planning for improved livelihood and protecting and conserving the environment for sustainable development.

51. This fiscal strategy will be effectively implemented in an environment of sustained good governance practices, prudent management of resources, enhanced transparency and accountability and expansion and modernisation of the county's service delivery channels. In addition, the leadership will ensure there is multi- sectoral approach in implementation of the proposed programmes. Heads of departments will ensure that functions within their jurisdiction work in harmony and complement each other in the implementation of the programmes.

52. The Country is implementing the "Big Four" Plan over the five year period 2018-2022. The Big Four Plan will focus on: supporting value addition and activities; guaranteeing food and nutrition security; providing universal health coverage and providing decent and affordable housing for all Kenyans.

The enablers to the Big Four include: investment in infrastructure; conducive business environment; investing in sectoral transformation and enhancing service delivery through devolution. These are well articulated in the 2019 Budget Policy Statement (BPS). This CFSP is aligned to the objectives of the 2019 BPS. The 2019 BPS articulates the aspirations of the National Government in harnessing the “Big Four” Plan for job creation and shared prosperity. The 2019 CFSP likewise will compliment efforts towards achieving the objectives of the “Big Four” Plan.

53. The Kenyan Vision 2030 is in its third medium term of implementation. The 2019 BPS has outlined the programmes to be implemented in the Third Medium Term Plan MTP III of the Kenya Vision 2030. This 2019 CFSP is linked to the 2019 BPS by augmenting and supporting the implementation of National Government’s projects in the county and its neighbourhood. Specifically, the county will position itself to take advantage and reap the benefits in implementation of Vision 2030 MTP III projects including: the development of the Shimoni port, expansion of the Ukunda airstrip (now Diani airport), the construction of Samburu-Kinango-Kwale road and the Dongo Kundu free port project. These projects will accelerate development by unlocking the economic growth potential, stimulate tourism recovery, generate job opportunities by increasing market for small businesses and have multiplier effects through the value chain.

54. This 2019 CFSP is premised on existence of favourable macroeconomic environment and implementation of conducive and prudent fiscal policies both at the national and county level. This paper will build on the gains made so far and address the bottlenecks that continue to derail faster county transformation. In cognizant of the scarcity of resources, our fiscal policy in this CFSP will aim at ensuring optimal allocation and efficient and effective utilization of resources.

2.2 Strategies to Enhance County Transformation for Inclusive Growth and Shared Prosperity

55. This CFSP is augmenting the implementation of policies and programmes under the five pillar strategy outlined in the CADP 2019/2020. The programmes cut across all the major sectors in the county covering the ten thematic areas. Implementation of the policies and programmes is expected to accelerate and sustain inclusive growth, create job opportunities, reduce poverty and income inequality and provide quality of life of all citizens.

2.2.1 Increased Crop productivity, livestock production and fisheries for food and nutrition security

56. To ensure food and nutrition security, the county government aims at transforming agriculture through deliberate investments in the sector. Under the Crop development section, the county government intends to strengthen field extension services and training to farmers while continuing with farm mechanization and the provision of high yielding and drought resistance adaptive crop varieties and certified seeds and seedlings for cash crop promotion. In this same vein, the county government will intensify operationalization of the Nyalani dam project by sensitizing farmers' societies and strengthening the requisite infrastructure. The county government will encourage innovation and inculcate commercialization of agriculture especially among youth and women.

57. Livestock disease control remains a priority especially in the semi-arid areas of the county. Vector control will be undertaken through animal vaccination and the rehabilitation of cattle dips. To increase livestock productivity, extension services will be strengthened and farmer's training on good animal husbandry practices will be enhanced. Others shall include the improvement of animal breeds, strengthening artificial insemination, promotion of bee keeping and construction of slaughter house in Kinango sub- county.

58. The Blue economy initiative offers a huge opportunity for development of fisheries in the county. The County Government will position itself to take advantage of this. To sustain growth in the fisheries sub sector, the county government will continue providing assorted fishing accessories to fishermen, training them on modern fishing methods, continue developing fish landing sites and invest in fish post-harvest technologies.

59. To enhance overall agricultural transformation, the county government will strengthen county agricultural institutions by improving infrastructure and ensuring adequate support. This includes the Agricultural Mechanization Services (AMS) Centre in Msambweni and Agricultural Training Centre (ATC) in Mkongani.

60. To enhance funding to the sector, the county government will commit itself to building mutual partnerships with both state and non-state agencies. This will ensure increased extension services and training to farmers and also implementation of large scale projects. So far the county government has received a number of grants under different donor funded programmes including the Agriculture Sector Development Support Programme (ASDSP) and the National Agriculture and Rural Inclusive Growth Project (NARIGP).

2.2.2 Enhancing the Standard and Quality of Education

61. Relevant and quality education is key in achieving county transformation. In consideration of this fact, the County Government will continue to implement the bursary/scholarship scheme to improve on transition rates to secondary and tertiary education. This will go a long way in improving education standards and ensure future human capital base. The Bursary/scholarship scheme will be evaluated and performance of the beneficiaries will be monitored regularly to ensure the intended strategic results are realized.

62. The quality and relevance of technical education will be reviewed from time to time to ensure the youth acquire the requisite skills for the job market. Expansion of the institutions in terms of infrastructure improvement, tools and equipment, establishment of relevant courses and adequate staffing will be undertaken. This will in the long-run ensure a substantial resource base in the technical field including plumbing, masonry, and tailoring, carpentry and hotel and hospitality.

63. Under the Early Childhood Development Education (ECDE), modernization of the centres will be undertaken. This will include provision of modern teaching materials, arts and play equipment and the training/induction of the teachers/caregivers. The affirmative action on school feeding programme will be enhanced to ensure children are retained at school and 100 percent retention is achieved.

2.2.3 Enhancing the Quality and Accessibility of Health Care Services

64. One of the “Big Four” agenda in the country is to achieve 100 percent Universal Health coverage. This will guarantee access to quality and affordable healthcare to all Kenyans. To complement the efforts of the National Government and making Universal Health coverage a reality, the County Government has transformed the health sector in the county through expansion of health infrastructure, enhancing of the supply of essential medicines, investing in diagnostic medical equipment and recruitment of specialized health personnel.

65. Going forward, the County Government will continue with the expansion of the number of health facilities, adequately equipping and staffing them and ensuring efficient supply of medicines. To offer specialized medical treatment, the county government will invest in more diagnostic equipment and commence on the establishment of the oncology centre for the treatment of cancer. Other programmes will include establishment of laboratories for diagnosis of medical conditions in all health facilities.

66. To improve on maternity services and curtail infant-mortality, the county government will continue with the free maternity programme ensuring all dispensaries have maternity wings. This will be undertaken together with the strengthening of the Public Health programme. Community Health Volunteers (CHVs) at grassroots will also be instrumental in encouraging public hygiene and proper sanitation and sensitize the citizens to increase the uptake of the National Insurance Hospital Fund (NHIF). The CHVs will be provided with basic kits and training to ensure success of this programme. The County Government will develop a policy to implement and manage the community health programme.

67. To further support modernization of health care services, the County Government will continue the digitization of health information management systems by developing effective ICT platforms. This is already taking place at the County referral hospital in Msambweni and would be rolled out to all sub county hospitals as well as dispensaries in future. Other programmes under healthcare include the rehabilitation of drugs and substance abuse addicts through provision of medicines (methadone) at the Kombani centre. This will be strengthened by training and offering support to the youth to start income generating activities.

2.2.4 Investing in Infrastructure Development for Enhanced County Transformation

68. Infrastructure development is necessary for economic growth, jobs creation, empowering small businesses and enhancing service delivery. It is for this reason that many economies have invested heavily in infrastructure including new roads, railways, marine, air, power stations, water supply systems and ICT. Expansion of the county's infrastructure is key in supporting the transformation agenda.

2.2.4.1 Expansion of the Road Network

69. To further expand the road network to open up the rural areas for connectivity and help farmers get their produce to the markets faster and cheaply, the County Government will continue investing heavily in roads infrastructure. The County Government will prioritize the construction and rehabilitation of key access roads to open up areas for more economic activities. The CADP 2019/2020 has enumerated the key access roads which will be constructed and rehabilitated across the county.

70. To reap the benefits from the Standard Gauge Railway (SGR) and improve on connectivity, the Mkilo-Kalalani road in Mwavumbo ward will be tarmacked in the coming financial year 2019/2020. In the same vein, the County Government will fast track the tarmacking of Kona ya Msa- Mabokoni - Kona ya Masai road cutting across three wards in Msambweni sub county. In addition, the County Government will continue with routine maintenance of roads and also the construction of bridges, drifts and culverts for smooth connectivity.

71. The County Government will utilise its share of the National Government road maintenance levy grant to undertake some of these works. Other infrastructure which will benefit the county economy and the tourism sector in particular include the development of the free port under the Dongo Kundu Special Economic Zone (SEZ), the completion of the Samburu-Kinango-Kwale road, the expansion of the Ukunda airstrip and the Shimoni Port development.

2.2.4.2 Enhancing Access to Affordable and Reliable Energy

72. The National Government has increased its investment in energy supply through enhanced transmission under the rural electrification programme. As a result electricity connections to households in Kenya have increased more than double between 2013 and 2018. The County

Government will continue to strengthen its relationship with the National Government to ensure more electricity substations are constructed and more transmissions lines and transformers are distributed to increase the availability and sustain the demand. This will have the overall effect of improving the living conditions and quality of life of the citizens. In the county, the electrification will continue with the construction of more streetlights and floodlights across the county.

2.2.4.3 Strengthening Water Infrastructure to enhance supply

73. The County Government remains committed to the provision of clean and adequate water for both domestic, industrial and livestock usage. The County Government has undertaken a number of steps to curb perennial water supply problems among residents. It has taken over the management of the local water supply company- the Kwale Water & Sewerage Company (KWAWASCO) to improve on efficient in service delivery. The County Government has implemented sub-catchment management plans to manage water resources and to ensure steady supply of water to residents.

74. Going forward, the County Government will undertake the construction of four medium sized dams, two major water pipelines in urban areas, drilling and equipping of boreholes and piping and the rehabilitation of the existing water supply systems. The County Government will foster partnerships with the National Government and other development agencies to initiate and complete existing water projects to ensure there is adequate clean and safe water for the residents. Strengthening relationships and collaboration with the local communities will be undertaken to guarantee efficient management of water resources.

2.2.4.4 Enhancing the Use of Information Communication Technology ICT

75. The world is witnessing rapid technological change. In a bid not to be left behind, the county has undertaken programmes to take advantage of the potential to innovate in ICT. The County Government has embraced ICT as a means of enhancing efficiency in service delivery.

76. Among the initiatives the County Government has undertaken include: installation of Wide Area Network (WAN) and Local Area Network (LAN) in hospitals and administration offices; e-procurement and implementation of IFMIS. The County Government will continue with the designing and installation of local area and wide area networks, establishment of e-government compliance services and the installation of cloud back recovery systems.

2.2.5 Stimulating Tourism Recovery, Trade and Investment

77. Tourism is a critical enabler of the county's economic transformation. Investment in tourism recovery will create job opportunities and generate wealth for enhancing the welfare of the citizens. In the recent past this sector has witnessed some recovery, recorded robust growth and posted increased earnings to the country.

78. The County Government will continue to invest in tourism promotion and support tourism businesses. Rehabilitation of beach access roads and other infrastructural projects including street lighting and provision of sanitation facilities will be undertaken. To support our focus on eco-tourism, the county government will construct an eco-lodge and sports tourism facility at Maji Moto in Dzombo Ward.

79. The National Government intends to continue focusing on sustaining conducive business environment for trade and investments. Among initiatives to be undertaken as outlined in the 2019 BPS will include: pursuing prudent fiscal and monetary policies; conducive business regulatory reforms and improving national security. The County Government will take full advantage of these and focus on revitalizing trade and investment in the county.

80. The County Government will in the coming financial year and over the medium term construct the requisite infrastructure for trade including markets and strengthen the access of credit to micro and small scale businesses. Specifically, the County Government will enhance the administration of the trade revolving fund by establishing the necessary legal framework to increase credit access.

81. To promote trade and small scale businesses and offer market for agricultural produce, the County Government will fast track the construction of the modern wholesale market at Kombani in Waa-Ng'ombeni ward and also the establishment of the fruit processing plant in Shimba Hills in Kubo South ward. In addition, the County Government will continue with business training for youth and women entrepreneurs, cooperatives development programme and assist local traders in developing offshore market linkages and partnerships.

2.2.6 Promotion of Sports, Arts and Culture

82. Sports, Arts and Culture development is vital for rapid county transformation as they will foster job creation, inclusive growth and thus reduces poverty. Great progress has been made in this area and the county has been shining in national and international sports competitions. To build on the gains made thus far, the county government will continue to create an enabling environment for sports, culture and arts.

83. The County Government planned for the construction and equipping of a modern county stadium in this financial year 2018/2019. In the coming financial year, it will fast track the construction of the stadium and continue rehabilitation of county ward sports fields. To promote culture and talents, the county government will continue to nurture and develop talents, facilitate cultural competitions, document and disseminate county cultural heritage.

84. Under Community Development, suitable empowerment programmes for youth, women and people with disabilities will be undertaken. These will be aimed at improving the livelihoods and welfare of the citizens. In the past, the County Government initiated the youth, women and people with disabilities fund to stimulate entrepreneurial culture and create employment opportunities. In the coming financial year, the fund will be reactivated by developing the relevant policy and legal framework for effective and efficient management.

2.2.7 Promoting Environmental Conservation and Sustainable Management of Land and Other Natural Resources

85. The County Government remains committed to the maintenance of a clean and secure environment for sustainable development. To continue enhancing environmental sustainability the County Government will expand the sanitation infrastructure in the urban areas and enhance waste management by providing more modern equipment and machinery for garbage collection in the coming financial year. To combat the effects of climate change and environmental degradation, the county government will embrace the Green Economy strategy which will include such interventions as: use of clean & renewable energy, conservation and management of forests, afforestation, the protection of water catchment areas and capacity building of communities.

86. Sustainable Management of land is critical for rapid social economic development. Land as a resource is susceptible to increasing population pressure, environment pollution and climate change. The National Government has initiated programmes in land use policies, security of tenure, access to land title and transparency in land registration systems.

87. Tremendous progress has been made by the County Government in securing land tenure and access to land titles. In the recent past, the County Government has strived to streamline the management of ranches. Adjudication and subdivision of land under group ranches has been undertaken in Mwavumbo and the settlement of communities. In the coming financial year, the County Government will continue the adjudication and settlement in community lands in Mwereni, Samburu-Chengoni, Puma and Waa-Ng'ombeni and Tsimba-Golini wards.

88. To facilitate higher productivity of land, the County Government will ensure the completion of the county spatial plan and urban development plan for the two municipalities of Ukunda/Diani and Kwale. This will guarantee planned development in the county. The County Government will benefit from the new conditional allocation under the Kenya Urban Support Programme. The conditional allocation will be used to support infrastructure development in urban areas for the participating counties.

2.2.8 Strengthening Governance, Transparency and Accountability in the County

89. The fight against corruption has been scaled up at the National level through the implementation of various legal, policy and institutional frameworks. In particular in the Public Service, reforms have been instituted to seal the loopholes that were used to embezzle public funds. In the counties, gaps in procurement have been plugged through the alignment of the public procurement processes to the Public Procurement and Disposal Act. Other interventions include the implementation of e-procurement in the counties. The county government will continue to ensure all public procurement process adhere to Public Procurement and Disposals Act and the regulations. Suppliers of goods and services and contractors for works will be sensitized to embrace e-procurement and compelled to process all their procurement applications using e-procurement.

90. Prudent management of the available public resources is critical in achievement of the county transformation. The County Treasury will strengthen expenditure control and improve the efficiency of public spending through implementation of Public finance management reforms. The fiscal policy outlined in this CFSP will be one of continuing to curtail resources earmarked for lower priority areas and re-direct them to critical sectors such as education, health, infrastructure and water supply.

91. In the coming financial year, the County Government will initiate a framework to improve project selection, budgeting and management. This framework under the County Treasury will involve the establishment of a public investment management unit whose work will be to appraise projects in terms of viability, quality assurance and their impact to the transformation agenda. Once established, all departments shall adhere to the framework set before the projects are selected for budgeting and implementation.

92. Monitoring and Evaluation(M & E) of projects will be streamlined to ensure service delivery is improved, value for money is realized and lessons documented to inform and improve future policy. The County Treasury will develop a monitoring and evaluation policy and seek County Executive Committee (CEC) approval in establishing a M & E unit. This will set the framework in the county to actualize systematic and effective monitoring and evaluation.

93. To improve on employees' ethics, the county government will continue strengthening compliance with the Public Officer Ethics Act. Section 2 (1) of this Act requires all state or public officers to submit to the ethics and anti-corruption commission a declaration of income, assets and liabilities. The recruitment of public /state officers by the County Public Service Board will continue to embrace provisions of Chapter six of the Constitution 2010 on leadership and integrity as well as upholding the national values and principles of governance (Article 10).

94. Management of pending bills is still a challenge in the county financial sphere. Accumulation of pending payments for a long period poses a fiscal risk with negative effects to the economy. Failure to make payments, as and when due implies a breach of the law according to section 9 (3) of the PFM Act. The county government through its County treasury will enforce compliance to this provision and ensure pending payments are curtailed and update made to the National Treasury as required.

95. Other areas which the County Treasury will enforce include the following: proper reconciliation between financial statements and balances in IFMIS, proper procurement practices to avoid unjustified single sourcing, contract variations, inflation of contract prices and undocumented purchases of assets. To guarantee quality assurance, ensure proper financial reporting and accounting and attain value for money on programmes expenditure, the County Government will fast track the establishment of an internal audit committee. This will further strengthen internal audit and ensure prompt rectification of anomalies and irregularities and achieve prudent management of resources.

96. Public participation is one of the principles of public finance. It offers opportunities for the citizens to participate in the formulation of county policies and legalization, implementation of programmes and projects as well as their monitoring and evaluation. This 2019 CFSP will seek views of various stakeholders in pursuant of the PFM Act 2012 requirements.

CHAPTER THREE: MEDIUM TERM OUTLOOK AND RISKS TO THE OUTLOOK

3.1 Medium Term Economic Outlook

3.1.1 Global and Regional Environment

97. A report by International Monetary Fund (IMF) on world economic outlook indicates that global expansion has weakened. Global economic growth in 2018 is estimated at 3.7 percent and is projected to grow at 3.9 percent in 2019. This growth optimism will be constrained by rising trade tensions likely to have a negative impact on confidence, asset prices, global trade and investments.

98. In the advanced economies, growth is expected to rise to 2.4 percent in 2018 up from 2.3 percent in 2017 mainly supported by strong fiscal stimulus in the United States of America (USA). This growth is however constrained by a slowdown in economic growth in the Euro area and the United Kingdom due to declining global trade and industrial production. Growth is projected to ease to 2.1 percent in 2019 reflecting consequence of the trade war.

99. Among emerging markets and developing economies, growth is expected to go down to 4.5 percent in 2019 and improve to 4.9 percent in 2020. Growth in the developing economies and in emerging Asia economies will dip from 6.5 percent in 2018 to 6.3 percent in 2019 before improving to 6.4 percent in 2020. China will slow down due to combined influence of needed financial regulatory tightening and trade tensions with the USA. India will pick up in 2019 due to lower oil prices and slower pace of monetary tightening as inflation pressures ease. Higher oil prices have also lifted growth among fuel-exporting economies in sub-Saharan Africa and the Middle East.

100. Growth prospects for Sub-Saharan Africa (SSA) continue to strengthen. Growth is expected to improve from 2.7 percent in 2017 to 3.1 percent in 2018 and further to 3.8 percent in 2019, supported by a stronger global growth, higher commodity prices, improved capital market access and contained fiscal imbalances in many countries. However, downside risks may arise from uncertainties in the run up to the 2019 general elections in South Africa.

101. Growth in the East African Community (EAC) region is estimated to rise to 5.9 percent in 2018 from 5.3 percent in 2017. This growth is driven by a rebound in agricultural activity on the backdrop of favorable weather conditions and a pickup in private sector credit growth. In 2019, economic growth is projected to increase to 6.3 percent supported by a stable macroeconomic environment, ongoing infrastructure investments, and strong private consumption.

Table 5: Global economic growth rate (%)

Region	2017	2018	2019
Advanced Economies	3.7	3.7	3.7
Of which: US	2.2	2.9	2.5
Emerging markets & development economies	4.7	4.7	4.7
Of which: China	6.9	6.6	6.2
India	6.7	7.3	7.4
Sub-Saharan	2.7	3.1	3.8
Of which: S.A	1.3	0.8	1.4
Nigeria	0.8	1.9	2.3
EAC-5	5.3	5.9	6.3
Kenya	4.9	6.0	6.2

Source: October 2018 WEO

3.1.2 Kenya's Macroeconomic Outlook

102. Kenya's economic growth has remained strong and resilient even under emerging global challenges, supported by strong public and private sector investment and appropriate economic and financial policies. The broad-based economic growth has averaged 5.6 percent for the last five years outperforming the average growth rate of 4.7 percent in the period 2008 to 2012 and 4.6 percent in the period.

103. The rebound in economic activity in 2018 was as a result of improved rains, better business investments and easing of political uncertainty. The economy grew by 6.0 percent in the third quarter of 2018 and 6.2 percent in the second quarter of 2018 up from 5.8 percent in the first quarter of 2018, averaging 6.0 percent in the first three quarters of 2018. Growth is projected at 6.0 percent in 2018 up from 4.9 percent in 2017.

104. Kenya's economic growth prospects for the FY 2019/20 and over the medium term take into account the global and sub-Saharan Africa growth prospects, the emerging global challenges and the domestic risks. The projections accommodate the strategic objectives of the Government as outlined in the Third Medium Term Plan (2018-2022) of Vision 2030. Real GDP is projected to expand by 6.1 percent in FY 2018/2019, 6.2 percent in FY 2019/2020, 6.4 percent in FY 2020/21 and 7.0 percent by FY 2022/23. This growth will be supported by a pickup in agricultural and manufacturing activities underpinned by improved weather conditions, strong service sector, stable macroeconomic environment, ongoing public infrastructural investments and sustained business and consumer confidence.

105. Inflation is currently within the Government's target range largely due to lower food prices and muted demand-driven inflationary pressures. It is expected to remain within target in the medium term mainly due to expected lower food prices reflecting favorable weather conditions, the decline in international oil prices, and the recent downward revision in electricity tariffs. The recent excise tax adjustment on voice calls and internet services is expected to have a marginal impact on inflation.

106. Interest rates are expected to remain low and stable over the medium term supported by improved liquidity conditions, and the proposed fiscal consolidation. The Government policies aims at supporting the fiscal consolidation agenda which will bolster debt sustainability position and give flexibility for counter cyclical fiscal policy interventions whenever appropriate.

107. Kenya's external position is projected to strengthen over the medium term supported by a narrower current account deficit. The narrowing of the current account deficit is largely due to increased exports of tea and horticulture, increased diaspora remittances, strong receipts from tourism, increased foreign direct investment in infrastructure and lower imports of food and SGR-related equipment relative to 2017. It is expected to narrow further to 5.2 percent of GDP in 2018 from 6.3 percent in 2017.

3.2 Risks to the Economic Outlook

3.2.1 External Risks

108. The macroeconomic outlook outlined is not without risks. Risks from the global economies relates to: (i) Trade tensions among major advanced economies regarding imposition of tariffs on selected imports by the United States from its main trading partners particularly China, and the likely retaliatory measures (ii) The prolonged uncertainty regarding Brexit negotiations and financial market volatility resulting from uncoordinated and abrupt monetary policy normalization and (iii) Non-economic factors such as political uncertainties and geopolitics in the Middle East and some countries in the sub-Saharan Africa region.

3.2.2 Domestic Risks

109. In the domestic front, the economy will continue to be exposed to risks arising from adverse weather conditions until the mitigating measures of food security under “The Big Four” Plan are put in place.

110. Additional risks could emanate from public expenditure pressures especially recurrent expenditures. Implementation of policy to pay the police house and commuter allowance, capitation to universities negotiated high payments to maize farmers and subsidized fertilizers are likely to constrain expenditure targets. Further, revenue performance which performed extremely below target in the FY 2017/18 may not increase as quickly to cover the anticipated expenditure increments.

3.2.3 County Macroeconomic Outlook Risks

111. The macroeconomic outlook at the County may face the following risks (i) increasing wage bill due to continued recruitment of employees in public service at the County will shrink the resources to be allocated for development. In the long-run this will impede the objective of rapid socio-economic development (ii) delays in the release of funds from the National Treasury poses risk to the County economic outlook. Delays often lead to late implementation of county programmes and projects. As the public expenditure on projects is delayed, contractors, supplies and manufacturers are affected.

This has the overall effect of reduced investments in the local economy and especially the building and construction sectors and others (iii) adverse weather conditions resulting in drought may cause inflation in food items. In severe cases this may cause starvation and hunger necessitating drought emergency services. This also has a multiplier effect on the other sectors and the productivity of labour and growth of the economy.(iv)lower revenue collection against the target at the National Level by the Kenya Revenue Authority may impede growth of the equitable share of income for counties. While this is the case, low local revenue collection may impact negatively in sustaining growth at the county.

112. The county government remains cautious to the potential risks that may emanate from adverse weather conditions, lower revenue collection than the targets, shocks in the macroeconomic environment, insecurity, adverse weather conditions and the threats caused by climate change which may dampen the performance of the economy. The county government will devise strategies and adaptation measures to mitigate the risks.

CHAPTER FOUR: BUDGET FOR FY 2019/2020 AND THE MEDIUM TERM

4.1 Fiscal Framework Summary

113. The fiscal framework for the FY 2019/20 Budget is based on the recent economic developments given in Chapter I and the county priority policies and strategies given in Chapter II while also considering the risks inherent in the macroeconomic policy framework set out in Chapter III. The fiscal policy guiding the FY 2019/20 MTEF budget is aimed at ensuring efficiency and effectiveness of public spending for county rapid and sustainable development.

114. The County Government will stress on the sustainability, affordability and strict prioritization in projects selection and implementation. This will ensure there is efficiency and effectiveness in public spending. Projects will be adequately funded during programmes formulation. Under this strategy therefore effective project selection and management shall be the norm rather than an exception.

4.2 Revenue Projections

115. The total amount of revenue expected to be raised by the County Government from all sources is Ksh **9,169,469,393.00**. This is about **0.5** percent improvement from the revenues the County Government budgeted for in the previous FY 2018/2019. The County own source revenue is expected to rise to **Ksh 271,452,551** in the FY 2019/2020 budget up from Ksh 226 Million actual collected in the FY 2017/2018.

116. The county government is expecting to receive Ksh **7, 626,000,000.00** as its equitable share of revenue from the National Government. This will be an improvement from previous financial year's allocation of Ksh 7,536,000,000.00.

117. The Conditional grants from development partners and National Government grants and loans are projected to rise to Ksh **1,272,016,842.00**.

118. The table below shows the Kwale County Expected Revenue Envelope for the MTEF period FY 2018/19-2021/22.

Table 6: Summary of County Revenue Envelope Showing the Grants types

PROPOSED 2019 CFSP REVENUE ENVELOPE FOR MTEF FY 2018/2019-2021/2022				
Revenue Source	FY 2018/2019	FY 2019/2020	PROJECTIONS	
	Amount in Ksh	Amount in Ksh	FY 2020/2021	FY 2021/2022
Own Source Revenue	303,112,305.00	271,452,551.00	285,025,178.55	299,276,437.48
Equitable Share of Revenue	7,536,000,000.00	7,626,000,000.00	8,007,300,000.00	8,407,665,000.00
Sub Total	7,839,112,305.00	7,897,452,551.00	8,292,325,178.55	8,706,941,437.48
Compensation for User Fees Forgone	15,209,593.00	15,209,593.00	15,970,072.65	16,768,576.28
Leasing of Medical Equipment	200,000,000.00	131,914,894.00	138,510,638.70	145,436,170.64
Road Maintenance Levy Fund	198,416,317.00	221,007,938.00	226,398,375.00	237,718,293.75
Rehabilitation of Village Polytechnics	41,860,000.00	59,793,298.00	43,953,000.00	46,150,650.00
Kenya Devolution Support Programme Grant	50,747,782.00	53,285,170.00	55,949,428.50	58,746,899.93
World Bank Grant for Kenya Urban Support Project	50,000,000	52,500,000.00	55,125,000.00	57,881,250.00
DANIDA Grant to County Health facilities	24,300,000.00	20,514,998.00	21,540,747.90	22,617,785.30
Grant for Universal Health Care Project	98,175,267.00	103,084,030.00	108,238,231.50	113,650,143.08
National Agricultural and Rural Inclusive Growth Project Grant	140,435,163.00	147,456,921.00	154,829,767.05	162,571,255.40
EU Grant for Instrument for Devolution Advice and Support	45,000,000.00	47,250,000.00	49,612,500.00	52,093,125.00
Water and Sanitation Development Project	400,000,000.00	420,000,000.00	441,000,000.00	463,050,000.00
Total Grants	1,264,144,122.00	1,272,016,842.00	1,311,127,761.30	1,376,684,149.37
GRAND TOTAL	9,103,256,427.00	9,169,469,393.00	9,603,452,939.85	10,083,625,586.85

Source: Kwale County Treasury

4.3 Expenditure Projections

119. In the financial year 2019/2020, Kwale county overall expenditures are projected at Ksh. **9,169,469,393.00**, up from the approved total expenditure of Ksh **9,103,256,427.00** in the **FY 2018/2019** budget. Recurrent expenditures are expected to slightly decrease to Ksh **4.75 Billion** from Ksh **4.76 billion** in the current **FY 2018/19**. Development expenditures are projected to increase to **4.42 billion** from Ksh. **4.34 billion** in the current FY 2018/19.

120. This 2019 CFSP proposes **45.34** per cent of the budget to be allocated to development Programmes while the balance of **54.66** per cent is allocated to recurrent expenditure

Table 6: Medium Term Recurrent Expenditure Framework for the period FY 2018/2019 – FY 2021/2022

PROPOSED 2019 CFSP RECURRENT EXPENDITURE CEILINGS					
SECTOR		Estimates FY 2018/19	Ceilings FY 2019/2020	PROJECTIONS	
				FY 2020/2021	FY 2021/2022
AGRICULTURE, RURAL AND URBAN DEVELOPMENT	TOTAL	229,869,340.15	222,818,843.17	243,354,346.38	255,522,063.70
Agriculture, Livestock and Fisheries	Sub Total	178,220,362.00	169,664,289.39	184,752,692.66	193,990,327.29
Environment and Natural Resources Management	Sub Total	51,648,978.15	53,154,553.78	58,601,653.72	61,531,736.40
ENERGY AND INFRASTRUCTURE	TOTAL	97,614,717.05	136,821,520.05	152,339,926.25	159,956,922.57
Roads and Public Works	Sub Total	97,614,717.05	136,821,520.05	152,339,926.25	159,956,922.57
GENERAL ECONOMIC & COMMERCIAL AFFAIRS	TOTAL	133,220,098.00	108,823,928.47	120,475,587.19	126,499,366.55
Trade and Cooperatives Development	Sub Total	71,576,965.00	58,483,663.91	65,293,372.11	68,558,040.71
Tourism, Investment and ICT	Sub Total	61,643,133.00	50,340,264.56	55,182,215.09	57,941,325.84
HEALTH SERVICES	TOTAL	1,845,531,244.00	1,845,555,120.45	1,971,561,630.62	2,070,139,712.15
EDUCATION	TOTAL	760,689,521.00	885,042,407.92	950,772,480.97	998,311,105.01
PUBLIC ADMINISTRATION & INTERNATIONAL RELATIONS	TOTAL	1,513,911,287.01	1,314,793,449.27	1,380,533,121.73	1,449,559,777.82
County Assembly	Sub Total	559,534,853.08	589,345,447.30	513,812,719.67	539,503,355.65
County Executive Services	Sub Total	165,321,310.68	146,433,321.98	153,754,988.08	161,442,737.48
Public Service and Administration	Sub Total	275,646,430.95	245,405,846.25	263,200,907.81	276,360,953.20
Finance and Economic Planning	Sub Total	467,800,335.00	374,712,009.89	399,869,061.78	419,862,514.87
County Public Service Board	Sub Total	45,608,357.30	47,519,470.85	49,895,444.39	52,390,216.61
SOCIAL SERVICES & TALENT MANAGEMENT	TOTAL	117,971,069.00	144,323,937.65	157,449,869.48	165,322,362.96
WATER SERVICES	TOTAL	65,426,612.75	73,297,371.14	84,617,224.80	88,848,086.04
SUB TOTAL	TOTAL	4,764,233,888.96	4,820,099,226.12	5,061,104,187.43	5,314,159,396.80
Conditional Grants and Loans		0.00	192,093,791.00	201,698,480.55	211,783,404.58
GRAND TOTAL		4,764,233,888.96	5,012,193,017.12	5,262,802,667.98	5,525,942,801.37

Source: Kwale County Treasury

Table 7: Medium Term Development Expenditure Framework for the period FY 2018/2019 – FY 2021/2022

PROPOSED 2019 CFSP DEVELOPMENT EXPENDITURE CEILINGS					
SECTOR		Estimates FY 2018/19	Ceilings FY 2019/2020	PROJECTIONS	
				FY 2020/2021	FY 2021/2022
AGRICULTURE, RURAL AND URBAN DEVELOPMENT	TOTAL	491,085,163.00	398,533,334.00	381,710,000.70	400,795,500.74
Agriculture, Livestock and Fisheries	Sub Total	326,335,163.00	267,200,000.00	280,560,000.00	294,588,000.00
Environment and Natural Resources Management	Sub Total	164,750,000.00	131,333,334.00	101,150,000.70	106,207,500.74
ENERGY AND INFRASTRUCTURE	TOTAL	723,677,651.00	437,093,323.00	495,697,989.01	520,482,888.46
Roads and Public Works	Sub Total	723,677,651.00	437,093,323.00	495,697,989.01	520,482,888.46
GENERAL ECONOMIC, AND COMMERCIAL AFFAIRS	TOTAL	207,800,000.00	301,933,331.00	317,029,997.55	332,881,497.43
Trade and Cooperative Development	Sub Total	138,300,000.00	198,503,271.58	208,428,435.16	218,849,856.92
Tourism, Investment and ICT	Sub Total	69,500,000.00	103,430,059.42	108,601,562.39	114,031,640.51
HEALTH SERVICES	TOTAL	710,155,556.20	385,250,000.00	404,512,500.00	424,738,125.00
EDUCATION	TOTAL	609,607,166.00	535,500,000.00	562,275,000.00	590,388,750.00
PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS	TOTAL	220,535,293.00	339,500,000.00	356,475,000.00	374,298,750.00
County Assembly	Sub Total	93,000,000.00	93,000,000.00	97,650,000.00	102,532,500.00
County Executive Services	Sub Total	70,931,932.00	76,500,000.00	80,325,000.00	84,341,250.00
Public Service and Administration	Sub Total	48,603,361.00	120,000,000.00	126,000,000.00	132,300,000.00
Finance and Economic Planning	Sub Total	8,000,000.00	50,000,000.00	52,500,000.00	55,125,000.00
County Public Service Board	Sub Total	0	-	0.00	0.00
SOCIAL SERVICES AND TALENT MANAGEMENT	TOTAL	213,048,889.00	246,543,337.00	258,870,503.85	271,814,029.04
WATER SERVICES	TOTAL	1,163,312,818.20	433,000,000.00	454,650,000.00	477,382,500.00
SUB TOTAL	TOTAL	4,339,222,536.40	3,077,353,324.87	3,231,220,991.11	3,392,782,040.67
Conditional Grants and Loans	TOTAL	1,075,711,480.00	1,079,923,051	1,133,919,203.55	1,190,615,163.73
GRAND TOTAL	TOTAL	5,414,934,016.40	4,157,276,375.87	4,365,140,194.66	4,583,397,204.40

Source: Kwale County Treasury

4.4 Budgetary Allocations for the FY 2019/20 and the Medium Term

121. The budgetary ceiling allocations for the various county sectors are summarized in the table below:

Table 8: Provisional Departmental Expenditure Ceilings for the FY 2019/20 and their ranking

DEPARTMENT	CEILING FY2019/2020	PERCENTAGE	RANK
Agriculture ,livestock and fisheries	436,864,289	5.5	6
Environment and Natural resources	184,487,888	2.3	12
Roads and public works	573,914,843	7.3	4
Trade and Cooperative development	256,986,935	3.3	10
Tourism ,investment and ICT	153,770,323	1.9	13
Health	2,230,805,120	28.2	1
Education	1,420,542,407	18.0	2
County Assembly	682,345,447	8.6	3
County Executive services	222,933,321	2.8	11
Finance and Economic Planning	424,712,009	5.4	7
Public Service and administration	365,405,846	4.6	9
County public service board	47,519,470	0.6	14
Social services	390,867,274	4.9	8
Water services	506,297,371	6.4	5
SUB TOTAL	7,897,452,550.99	100.00	
GRANTS ESTIMATES	1,272,016,842.00		
GRAND TOTAL	9,169,469,392.99		

Source: Kwale county Treasury

4.5 Key Priorities for the 2019/20 Medium Term Budget

122. The Medium-Term Budget 2019/20 – 2021/22 will further support the ongoing priorities for the achievement of the “Big Four” Plan taking into account;(i)ensuring more outputs and outcomes are achieved with the existing or lower level of the county resources;(ii)building a resilient, more productive and competitive economy;(iii)delivering better public services within a tight fiscal environment, and(iv)the need to deepen governance, anti-corruption and public financial management reforms to guarantee transparency, accountability and efficiency in public spending.

123. The County Integrated Development Plan 2018-2022 will guide in identifying key priorities to be implemented by the County Government in the FY 2019/2020 and over medium term. The Annual Development Plan priorities are linked to the realization of county strategic objectives mentioned in the second generation CIDP Plan 2018-2022 and also to the programmes and projects to be implemented in the Third MTP of Vision 2030. The plan proposes high impact programmes which are linked to attainment of the Governor’s manifesto, objectives of the Kenya’s Vision 2030 Third Medium Term Plan (MTP III) and the Big Four Agenda and the Sustainable Development Goals (SDGs).

124. Key county strategies to be implemented in the coming financial year are outlined in the latest County Annual Development Plan .These include ;(i)enhancing education to create a robust and skilled human resource base(ii)investing in infrastructure including roads, water supply systems, industrial plants, markets and energy connectivity(iii)guaranteeing access to universal health care through improved services and health insurance cover for all(iv) expanding food and agricultural production through farm mechanization, strengthening extension services, livestock development and promotion of the Blue economy(v)strengthening land tenure systems, sustainable management of the environment and natural resources for improved livelihood.

125. The County Government will fast track the implementation of high impact transformative and flagship projects. These projects will receive adequate funds to guarantee effective implementation. The flagship projects include(i) development of medium sized

dams(ii)tarmacking of roads(iii)construction of the fruit processing plant(iv) construction and equipping of an oncology centre(v)establishment of an ECDE teacher training college and (vi) the construction of a modern county stadium.

4.6 Allocation Baseline Ceilings

126. The baseline estimates reflect the current departmental spending levels in sector programmes. Expenditure forecasts for FY 2019/2020 will be revised to accommodate some of the county fiscal challenges through reallocations of the existing budgetary provisions supported by monetary/fiscal measures instituted on less productive areas of spending across the county.

127. The county will give priority to projects which are considered to foster a great economic impact across the entire county. Therefore the County Government will commit itself to improving the implementation and absorption capacity of capital projects. Capital projects will be apportioned funds according to the following criteria:

(i) **On -going projects:** adequate funds shall be allocated to complete on- going projects which had budget shortfalls and are crucial in realization of the county transformation agenda.

(ii) **Flagship projects:** high impact projects with multiplier effect across the county sectors will be given priority and adequate funds provided to realize county faster transformation and changing lives of the citizens.

(iii) **Counterpart funding: projects** initiated by development partners especially under the provision of clean and safe water to residents and agricultural transformation and food security shall also be receive adequate funding.

(iv) **Strategic interventions:** priority will also be given to other strategic interventions in education, social services, youth, women and persons with disabilities empowerment and environmental conservation.

4.7 Finalization of Spending Plans

128. The finalization of the detailed budgets will entail thorough scrutiny to curtail spending on non-productive areas and ensure resources are directed to priority programmes. Since detailed

budgets are scrutinized and the resource envelope firmed up, in the event that additional resources become available, the county will utilize them to accommodate key strategic priorities.

129. Specifically, the following will receive priority:(i)interventions identified during the stakeholders consultation for the FY 2019/20 budget and over the medium term(ii)strategic interventions in the areas of manufacturing, food security enhancing programmes, and the tourism sector to stimulate growth in other sector through the value chain and (iii)specific consideration to enhance job creation for the youth based on sound initiatives identified within and outside the normal budget preparation.

4.8 Details of Sector Priorities

4.8.1 Agriculture, Rural and Urban Development (ARUD) Sector

130. The main objective of the sector is to be the leading agent towards achievement of food security and agricultural income generation in the region. The County Government will achieve this objective through the promotion competitive and innovative commercially oriented modern agriculture in an enabling environment.

131. The County Government intends to undertake several programs in order to rejuvenate the agricultural sector and to promote agricultural productivity in the region. Under the program of crop development, the County Government will continue to undertake rehabilitation and upscaling of micro-irrigation, provision of farm inputs, farm mechanization and promotion of cash crops by providing high yielding seedlings. To provide information and build knowledge on crop farming, the County Government will establish an agriculture information centre at the county headquarters. Grain stores will be connected to electricity to improve on the value addition of agricultural products.

132. Vaccination crushes and cattle dips will be constructed/ rehabilitated to ensure animal diseases are kept at bay. In order to ensure diversification in livestock production, the sector will promote bee keeping and local poultry rearing. This will improve the household incomes. Improvement of animal breeds and artificial insemination will continue to be undertaken.

133. To enhance the fisheries development, the county will purchase a modern rescue boat which will help in maintaining security to local fishermen. Other programmes will include the up scaling of sea weed production and the development of new fish landing sites.

134. To undertake these programmes, the sector will require **Kshs.621.35Million, Ksh 603.20Million and Ksh 633.37Million** in the FY 2019/2020, FY 2020/2021 and FY 2021/2022 respectively. **KShs222.82Million, Ksh 243.35Million and Ksh255.52** will be for recurrent purposes respectively. **Kshs.398.53 Million, 418.46Million and Ksh 439.38Million** will be for development expenditures respectively.

4.8.2 Energy, Infrastructure and Information, Communication and Technology Sector

135. The sector has a sole objective which is to provide efficient, affordable and reliable physical infrastructure for sustainable socio-economic growth through construction, modernization, rehabilitation and effective management of county infrastructural facilities.

136. This sector provides the requisite foundation for rapid county economic transformation. The County Government will undertake the tarmacking of Mkilo-Kalalani road and fast track the tarmacking of the Kona Ya Musa- Mabokoni-Kona Masai road and the Kona Ya Mei-Neptune road .Other rural access roads will be improved through grading and murraming as well as construction of bridges, drifts and culverts. Several roads will be opened up to improve on connectivity, stimulate development as well as improving on the service delivery.

137. The county will establish a fully-fledged fuelling bay and workshop at the county headquarters which will enhance service delivery. To improve on the county's preparedness to disaster caused by accidental fires, the sector will fast track on the construction of a fire station. The county will also continue with the installation of street lights and floodlights which will boost security.

138. In order to implement the prioritized programmes, the sector has been allocated **Ksh 573.91 Million, Ksh611.29 Million and Ksh 641.85 Million** for the financial years 2019/2020,2020/2021 and 2021/2022 respectively. Recurrent expenditure allocation is **Ksh136.82 Million, Ksh152.34Million and Ksh159.96Million** for FY 2019/2020, 2020/2021

and 2021/2022 respectively, whereas Development expenditure for the same period is **Ksh437.10 Million, Ksh458.95Million, and Ksh481.90 Million** respectively.

4.8.3 General Economic and Commercial Affairs Sector

139. The sector has a high potential to promote rapid transformation agenda in the county. The main objective of the sector is to promote, coordinate and implement integrated socio – economic policies and programmes for a rapidly industrializing economy.

140. To create a conducive environment for trade expansion and industrialization, the County Government will construct new and rehabilitate the existing markets. This will lead to increased market accessibility and improved incomes to households. To ensure that youth are fully employed, the county will establish boda-boda sheds across the region in order to improve on the level of youth unemployment.

141. To promote industrial development, manufacturing and value addition, the County Government will establish a fruit processing plant which will increase job opportunities and improve income of residents. Other infrastructural development shall include the construction of the whole sale market at Kombani in Waa-Ng’ombeni ward and the new retail market at Lemba in Ukunda ward.

142. To create an enabling environment for increased tourism activities, the County Government will construct/rehabilitate beach access roads as well as construction of Eco-lodge and outdoor picnic and sporting facility. Rehabilitation of beach access roads and other infrastructural projects including street lighting and provision of sanitation facilities will be undertaken.

143. In order to implement the prioritized programmes, the sector has been allocated **Ksh 410.75 Million, Ksh 437.51 Million and Ksh 459.38 Million** for the financial years FY 2019/2020, 2020/2021 and 2021/2022 respectively. Recurrent expenditure allocation is **Ksh 108.82Million, Ksh 120.48Million and Ksh 126.50Million** for FY 2019/2020, 2020/2021 and

2021/2022 respectively, whereas development expenditure for the same period is **Ksh301.93 Million, Ksh317.03 Million, and Ksh332.88 Million respectively.**

4.8.4 Health

144. This sector is mandated to undertake both medical and public health services. The primary objective of the sector is to provide quality, acceptable and affordable health care services for sustainable development.

145. Under the medical health services, the County Government will continue with the expansion of the number of health facilities, adequately equipping and staffing them and ensuring efficient supply of medicines. To offer specialized medical treatment, the county government will invest in more diagnostic equipment and commence on the establishment of the oncology centre for the treatment of cancer. Other programmes will include establishment of laboratories for diagnosis of medical conditions in all health facilities.

146. Maternal Health will still be given priority by strengthening services in the county hospitals and dispensaries. To promote public health the sector will fast track the development of policy on community health volunteers/workers. Other programme that shall continue is the offering of medical insurance to households so as to increase the uptake of the National Hospital Insurance Fund (NHIF) services.

147. To implement the prioritized programmes, the sector has been allocated **Ksh 2,230.8 Ksh 2,376.07** and **Ksh 2,494.88 Million** for the financial years 2019/20, 2020/2021 and 2021/2022 respectively. Recurrent expenditure allocation is **Ksh 1,845.56 Million,** **Ksh 1,971.56 Million** and **Ksh 2,070.14 Million** for FY 2019/20, 2020/2021 and 2021/2022 respectively, whereas development expenditure for the same period is **Ksh385.25 Million, Ksh404.51 Million, and Ksh424.74 Million**

4.8.5 Education

148. The main objective of the sector is to provide, promote and coordinate quality education and training through the integration of research, technology and innovation for rapid and sustainable socio-economic development in the county.

149. To improve access to quality pre-primary education to all children in the county, the County Government will continue to establish more ECDE centers. The ECDE will be adequately staffed and equipped through the provision of teaching/learning materials as well as arts and play equipment. To enhance retention rates, the school feeding programme will be strengthened.

150. In order to empower the youth in technical, vocational and entrepreneurship knowledge and skills, the County Government will continue rehabilitating the existing vocational training centres (VTCs) and construct more. The facilities will be improved through adequate staffing, provision of tools and equipment, perimeter wall fencing and establishment of relevant courses.

151. The bursary/scholarship programme will continue to assist bright students from needy families and to also improve on education standards in the county by increasing transition rates from primary to secondary education and from secondary to tertiary/university education.

152. To undertake these programmes, the sector will require **Kshs.1, 420.540Million** in the financial year 2019/20. **Ksh 885.04million** will be for recurrent purposes and **Kshs.535.50 Million** will be for development expenditure.

4.8.6 Public Administration and International Relations Sector (PAIR)

153. The sector is comprised of; County Executive Services, Public Service and Administration, Finance and Economic planning (County Treasury), County Public Service Board and the County Assembly.

154. The main objective of this sector is to promote an equitable, all-inclusive and democratic society through establishment of effective governance structures and systems for achievement of rapid socio-economic and political transformation in the county. The priorities under this sector include the construction of ward offices in Ramisi, construction of Bus Park in Kinango and the provision of garbage collection lorry. Others include acquiring of software for automated monitoring and evaluation system and internal audit services.

155. In order to implement the prioritized programmes, the sector has been allocated Ksh **1,742,916,096.27** Million, Ksh **1,737.01**Million and Ksh **1,823.86** Million for the financial years 2019/20, 2020/2021 and 2021/2022 respectively. Recurrent expenditure allocation is Ksh **1,403.4** Million, Ksh **1,380.53** Million and Ksh **1,449.56Million** for FY 2019/20, 2020/2021 and

2021/2022 respectively whereas development expenditure for the same period is Ksh **339.50**Million, Ksh **356.48** Million, and Ksh **374.30** Million respectively.

4.8.7 Social Protection, Culture and Recreation Sector

156. The sector has a mandate to provide and promote social and cultural services, community empowerment and nurture and develop sports, arts and talents to foster sustainable livelihood.

157. To promote culture and social services for sustainable development, the County Government will construct and equip a modern audio-visual recording studio which will enhance development of youth talents across the county. To achieve inclusivity and empower community, the county will construct and equip a modern library.

158. Under arts and sports development, the County Government will fast track the construction and equipping of a modern county stadium as well as improving the existing sports fields. In the previous, the County Government has supported county football teams. This will continue incorporating other sports disciplines.

159. Funds will be ring fenced to cater for the youth, women and people with disabilities funds to offer credit for business and entrepreneurial development. In the same vein the County Government will continue with the programme on village savings and loans associations VSLA to inculcate the saving culture among women thus empowering them.

160. In order to implement the prioritized programmes, the sector has been allocated Ksh **390.9** Million, **Ksh 416.32 Million** and **Ksh 437.14 Million** for the financial years 2019/20, 2020/2021 and 2021/2022 respectively. Recurrent expenditure allocation is **Ksh 144.32 Million**, **Ksh 157.45 Million** and **Ksh 165.32Million** for the financial years 2019/20, 2020/2021 and 2021/2022 respectively, whereas development expenditure for the same period is Ksh**246.54 Million**, **Ksh258.87 Million**, and **Ksh 271.81 Million** respectively.

4.8.8 Environmental Protection, Water and Natural Resources

161. The main objective for the sector is to ensure development and distribution of clean and accessible water resources under water services management. This include water pipeline systems rehabilitation, construction of water dams and pans, drilling of boreholes, provision of water harvesting and storage facilities and community water resources management.

162. To improve the access, quality and storage of water for sustainable development, the county will undertake several programs such as drilling and equipping of new boreholes, conducting hydrological surveys, test pumping of existing boreholes, water pipeline rehabilitation and extension and the construction of dams and water pans. The Water sub sector will fast track the construction of the four medium sized dams in Mwakalanga, Dziweni, Kaza Moyo and Kizingo. This will improve the access to clean water for both agricultural and domestic purposes.

163. To conserve and protect the environment and natural resources, County Government of Kwale will undertake the programme on energy saving jikos and protect the water catchment areas through community sensitization and capacity building. On sustainable land management, the Environment and Natural resources sub sector will finalize the adjudication and settlement in community lands and undertake preparation of integrated urban development plans. Other initiatives to conserve and protect the environment shall include tree planting and the management of the Diani- Chale marine reserve.

164. In order to implement the prioritized programmes, the sector has been allocated **Ksh 506.29Million, Ksh 539.27Million** and **Ksh 566.23 Million** for the financial years 2019/20, 2020/2021 and 2021/2022 respectively. Recurrent expenditure allocation is **Ksh 73.3 Million, Ksh 84.62Million** and **Ksh 88.85 Million** for FY 2019/20, 2020/2021 and 2021/2022 respectively, whereas Development expenditure for the same period is **Ksh433.00Million, Ksh 454.65Million,** and **Ksh 477.38Million.**

CHAPTER FIVE: CONCLUSION

165. This 2019 County Fiscal Strategy Paper will inform the county budget in the coming financial year and over the medium term. It will guide departments and sector working groups in the preparation of their budgets. The revenue and expenditure projections once firmed up will be the basis for the FY 2017/2018 budget.

166. The County Government is committed to implementation of the policies highlighted in this fiscal plan to achieve faster county socio- economic transformation. To be in line with the national objectives of transforming the nation, the County Government will strengthen the relationship with the National Government to realize the goals of the Big Four Plan and priorities of the Vision 2030.

167. The latest 2018 County Budget Review and Outlook paper made a number of recommendations and conclusions for revenue collection enhancement and prudent expenditure management .To enhance revenue collection by broadening the tax base and ensure efficient administration, the County Government will enact the Finance and other affiliated revenue raising bills and fully implement automation.

ANNEX I: STATEMENT OF SPECIFIC FISCAL RISKS

Introduction

- 1.** The Fiscal strategy paper is prepared against of improved economy and greater prospects for growth. However risks which may derail smooth implementation still remain. The Public Finance Management Act 2012 requires that counties prepare “Statement of Fiscal Risks” as a way to mitigate and manage risks prudently.
- 2.** This “Statement of Specific Fiscal Risks” for the county will give an assessment of the risks that will potentially affect budget execution and the attainment of strategic priorities and financial objectives set out in this 2019 County Fiscal Strategy Paper. Potential risks to our fiscal strategy will emanate from expenditure pressures, revenue underperformance, and changes in the macroeconomic environment, weather / climatic conditions and potential insecurity. The County Government will craft measures to mitigate these risks.

Risks in Changes in Macroeconomic Assumptions

- 3.** The underlying assumptions in macroeconomic environment may adversely change and pose risks to the domestic economy which may in turn affect the county economy. Macroeconomic variables changes such as reduced real GDP growth rates, increased inflation, depreciated exchange rate and the volatility of commodity prices on imports will have an effect on revenues to be generated.
- 4.** An unfavorable macroeconomic environment will result in reduced growth and incomes which will have downward effect of revenues both at the national level and county level. Unexpected changes in in macroeconomic variables create risks to both revenue and expenditure projections in this 2019 CFSP as they play a key role in the formulation of the budget.

Risks associated with slow execution of development budget

5. The execution of development budget has been slow due to lower absorption rates by departments. Some of the reasons for the slow implementation of the development budget include delays in the release of funds, lengthy procurement procedures, and inadequate capacity and contractor issues.

6. The County Government is fully aware of the reasons causing slow execution of development projects. The County Government will lobby for faster release from the National Treasury, ensure prompt procurement processes and strengthen capacity as well as evaluate and act appropriately on contractor issues.

Risks related to Underperformance of Own Source Revenue (OSR)

7. Underperformance in OSR has been caused by a number of factors including inappropriate forecasting, inefficiencies in revenue collection, lack of relevant legislative framework and inadequate enforcement. The underperformance will impact negatively on the total revenues against the planned expenditures. More so, some expenditures like wages are non-discretionary and such cannot be reduced or deferred. This necessitates budget cuts on development expenditure and staggering or non-completion of the development programmes/projects.

8. The County Government will mitigate this risk by fast tracking automation of the revenue collection system, lobbying for faster enactment of the Finance Bill and other affiliated bills, intensifying compliance and enforcement efforts in revenue collection.

Risks associated with Wages Expenditures

9. Regulation 25(1)(b) of the Public Finance Management 2012 for County Governments requires that a county wage bill shall not exceed 35 percent of the total revenue. In this 2019 CFSP percent, wages are equal to 30 percent of the total expected revenues. Thus our fiscal objectives on wages meet the threshold set. However there are risks emerging from increase employment in essential services which may in the long run increase the wage bill.

10. There is a strong inverse correlation between development expenditures and wage bill. The higher the wage bill the less will be the development expenditure. Therefore higher wage bill

will retard development in the county. The County Government will mitigate this risk by establishing an optimal staffing structure to ensure the wage bill is sustainable and does not affect the development agenda.

Risks inherent in financial reporting and expenditure arrears

11. Lack of reconciliation between financial statements and balances in the IFMIS has led to misrepresentation in financial reporting. This risk has been caused by the lack of capacity and also connectivity. The County Government will ensure these challenges are addressed and all transactions are captured on IFMIS.

12. Management of pending bills has been a concern over the period and has adverse effect on budget execution. In general, pending payments older than 90 days constitute a fiscal risk with major potential consequences to the economy .The escalation in pending bills is caused mainly by: i) underperformance of OSR; ii) technical challenges with cash flow management; and, iii) violation of laid down procurement regulations. This risk is being mitigated through the ongoing audit of County Governments’ pending bills. The audit will lead to a better understanding of the extent of the risk and thereafter inform the design of specific mitigation measures.

13. Meanwhile, the cash accounting method currently applied by County Governments presents challenges in terms of monthly and annual financial reporting on pending bills and other liabilities (as well as assets). This is due to the fact that cash accounting does not require recognition of liabilities as well as assets; rather, only their associated cash inflows and outflows.

14. To deal with this challenge, the National Treasury and the Public Sector Accounting Standards Board (PSASB) have initiated a review of the Standard Chart of Accounts as well as development of policy guidelines on management of assets and liabilities. These are preparatory steps for a possible future migration to accrual accounting which PSASB has indicated to commence in FY 2020/2021. This will further enhance closer monitoring of County Governments’ pending bills as they will have to be recognized on the face of financial statements.

Risks due to effects of Climate Change and Natural Disasters

15. Climate change effects include extreme weather conditions such as drought, storms and floods, potential sea rise and beach erosion, effects on biodiversity, fragile ecosystems, water supply systems damage. Climate change will have a negative impact on food production. The fiscal implications of climate change to our plan will be serious and immediate. It will directly affect our revenues and expenditures. Reduced revenues and increased expenditures will distort the county budget formulation.

16. In addition, food production will also be affected by natural disasters such as severe and prolonged drought, heavy rains as well as floods. Heavy rains can also lead to damage of essential infrastructure including buildings, roads, bridges, electricity poles and transformers. Apart from causing lower food production, natural disasters and climate change have the fiscal implications of reduced revenues and increased expenditures which will distort the county budget implementation.

17. The County Government will monitor the situation and adopt appropriate measures such as allocation money for such emergencies to help restore situation and sustain social welfare.

Risks associated with Insecurity and the advent of terrorist attacks and the Al-shabaab Menace.

18. Terrorist attacks have become real and have had an adverse on recovery of tourism. In the past, European nations have been issuing travel advisories to their citizens to be cautious when visiting the country particularly the tourist towns at the coast .This has been escalated by the emergence of the Al-shabaab group who claim responsibility of most of the terrorist attacks in the country.

19. The effects of terrorist attack are immense and devastating to the economy. Tourism which is the main stay of our local economy once affected it triggers shocks in other sectors including agriculture, transport, entertainment and trade. Insecurity leads to a general loss of revenues and employment opportunities.

20. The County Government in conjunction with non-state organizations is working on programmes to curb violent extremism among the youth.

ANNEX II: ADHERENCE TO FISCAL RESPONSIBILITY PRINCIPLES

1. The County Government has adhered to the fiscal responsibility principles as set out in the PFM Act 2012. The County Government's allocation to development expenditures has been above the 30 percent of its total expenditures. In the FY 2017/18, the allocation to development in the revised budget was 44 percent of the total expenditures and in FY 2018/2019 it was 61 percent. These rates were way above the set threshold. In the fiscal outlays presented in this 2019 CFSP, the County Government continues to observe this requirement and has allocated 48 percent of total expenditures to development in FY 2019/20 and over the medium term.

2. The law requires that the County Government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35 percent of the County Government's total revenues. In conformity to this regulation, the County Government's share of wages and benefits to revenues was 28.2 percent in the FY 2017/18, and is projected at 21.5 percent in the revised budget for FY 2018/19, but increasing to 29.86 percent by FY 2019/20.

3. PFM Act section 107(2) (c) requires the County Treasury to ensure that the County Government's borrowings is used only for purposes of financing development expenditure and not for recurrent expenditure. Currently the County Government has no intention of borrowing.

4. The Act also requires that the public debt obligations be maintained at sustainable levels. Currently the County Government has no debt and in case a need arises for borrowing sustainability shall be ensured.

5. To manage fiscal risks prudently as required, the County Government will curtail spending on non-priority areas, sustain the wage bill by controlling recruitment save for essential service areas and ensure efficiency in revenue collection.

6. On the principle of maintaining a reasonable degree of predictability with respect to the level of tax rates and tax bases, the County Government continues to carry out tax reforms through modernizing and simplifying tax laws. In order to lock in predictability and enhance compliance with tax system, the Government through the upcoming Finance Act, 2019 will amend most of the taxes to ensure predictability and sustainability in future.

ANNEX III: Summary of Comments from Stakeholders and the Public on the 2019 CFSP

Agriculture, Livestock and Fisheries

The priorities identified in the County Annual Development Plan still featured in this public participation. Under crop production priorities that were mentioned include: strengthening of extension services & farmers training, provision of high yielding drought resistance certified seeds, farm mechanization and provision of fertilizers & manures. Others are up scaling micro-irrigation and revitalization of the Nyalani Dam project to encourage commercial small scale agriculture and agro- business.

To increase livestock production, the public emphasized on livestock disease control, improvement of animal breeds, promotion of local poultry, beekeeping and construction of abattoirs. Under fisheries, priorities suggested include: provision of fishing accessories, fish landing sites development, training in modern fishing methods and investing in fish post-harvest technologies.

The public observed that the allocation under agriculture was not adequate and therefore proposed for its increment by Ksh 200 Million to strengthen extension services.

Education

Stakeholders during the public participation praised the County Government's efforts in enhancing education standards through the Bursary/Scholarship fund. The public proposed for its continuation but to include secondary day scholars and increase bursaries for those admitted in lower categories of schools other than national schools. Bursary to be allocated on equity basis based on the student population in each ward. In addition, it was suggested the bursary kit be increased to Ksh 500Million.

Under Early Childhood Development Education, the public proposed the construction of new ECDE centres in areas where they are lacking and the number of children is high. Commensurating with this is the recruitment of more ECDE teachers to ensure quality

education .To guarantee high pupils' completion and retention rates, the public proposed for the continuation of the school feeding programme. Other proposals include; provision of arts and play equipment and teaching materials.

Vocational training was also proposed to be strengthened through equipping and adequate staffing of the VTCs. The grant to students under the village polytechnics be increased to accommodate more students.

Health

The public proposed for the maintenance and repairing of most health facilities and improve them to good condition. Health facilities with worn out floors need urgent repair. There is also need to operationalize some of the health facilities which are complete but there is no service rendered.

Another suggestion was on diagnosis of medical conditions which is lacking in many health facilities compelling people to travel long distances. The public suggested that all dispensaries should have medical laboratory to offer diagnosis of diseases and checkup of medical conditions. In the same vein the County Government should assist the Community Health Volunteers and Health workers by providing them with medical kits and monthly stipends to motivate them.

The public indicated that there are problems and hiccups at the Msambweni County Referral Hospital. The hospital needs a facelift and major repairs and maintenance in the wards both male and female and sanitation areas. Provision of equipment was also suggested especially adding more wheelchairs to assist patients. The public also suggested for the strengthening of the accident and emergency services. Proper handling of patients and other clients was also stressed through training of the medical personnel on interpersonal relationship to stimulate courteous service delivery.

The public proposed for the increase in the funds allocated to Health to cater for adequate supply of medicines, recruitment of specialized medical personnel, purchase of specialized medical equipment and improvement of health infrastructure.

Tourism and Enterprise Development

Tourism has been the main driver of the County's economy. However tourism deteriorated during the period from 1997 to 2016. This was mainly due to insecurity and the emergence of more tourist attractive destinations in the region. In the recent past, tourism has witnessed some recovery courtesy of tourism conferencing, sports tourism and promotion of local tourism. The public made several suggestions as priorities to be undertaken by the tourism sector to guarantee its recovery and sustainability. The public suggested for the promotion of tourism through the establishment of more tourist attraction sites in such areas like Maji moto, Lwayo ra Mlungu, Shimoni slave caves, Kilibasi and others. Other suggestions include the improvement of infrastructure and sanitation facilities along the beaches and the maintenance of the street lights along the beach access roads.

Under Trade, the public proposed for the revival of the trade revolving fund and increase the access of credit to entrepreneurs. Others include the opening up of more markets and the fast tracking the construction of the retail market in Ukunda to offer an alternative to the market at Ibiza which was abolished.

Social Services and Talent Management

The promotion of sports and youth empowerment was emphasized. The public stressed for the fast tracking of the construction of the county stadium in Kwale. Improvement on most of the wards sports field has taken too long and the public pointed out on the poor workmanship.

On community empowerment, the public called on the revival of the Youth, Women and People with disability fund which has not been operative owing to various reasons. Alongside this proposal was training of youth and women in income generating activities. Other suggestions on community empowerment include reviving of cultural competitions, sports competitions, construction of libraries and social halls.

Environment and Natural Resources Management

Conservation of natural forests commonly referred to as Kaya forests come out in most of the public hearings. The public proposed for capacity building and awareness for communities to protect and conserve the forests. Alongside this was the suggestion to encourage planting of trees in institutions such as schools and colleges to conserve the environment. The other suggestions include encouraging use of energy saving jikos and clean energy like gas and electricity and avoid excessive charcoal burning.

On sustainable land management and improvement of land tenure system, the public suggested for the adjudication of community lands and group ranches and settle the landless and give them titles .Other views include the completion of the county spatial plan, towns and urban development plans and setting up structures for the new municipalities of Kwale and Diani.

Roads and Public Works

Most of the county access roads are still in bad conditions and not passable. The County Government should continue opening up new roads and rehabilitate the existing roads to improve on connectivity. Work on the roads should be done before the heavy rains in March/ April and workmanship should be improved. Other suggestions include fast tracking of the tarmacking of key roads mentioned in the County Annual Development Plan and the construction of bridges, drifts and culverts.

On energy and electricity, the County Government should continue with the construction of streetlights and floodlights in major trading centres and towns to improve on security and encourage 24 hour economy.

Water Services

Water supply and distribution has been a major problem in the county despite water sources being abundant. The public lamented on the water supply and distribution system in the county. The public for construction of new pipelines and rehabilitation of the existing ones and at the same time fast track the construction of medium sized dams and water pans in the semi-arid areas.

ANNEX IV: Summary of Expenditure Ceilings by Vote and Programmes for the FY 2019/2020

Department	Programme	Budget-Ksh
AGRICULTURE, LIVESTOCK AND FISHERIES	Crop Development	131,000,000.00
	Livestock Development	88,200,000.00
	Fisheries Development	48,000,000.00
	General Administration and Support Services	169,664,289.00
	SUB-TOTAL	436,864,289.00
ENVIRONMENT AND NATURAL RESOURCES	Natural Resource Management and Climate Change	23,333,333.00
	Urban and Rural Planning Development	13,000,000.00
	Land Administration and Management	95,000,000.00
	General Administration and Support Services	55,154,555.00
	SUB-TOTAL	184,487,888.00
WATER SERVICES	Water Development Services	433,000,000.00
	General Administration, and Support Services	73,297,371.00
	SUB-TOTAL	506,297,371.00
EDUCATION	Vocational Training	50,700,000.00
	Early Childhood Development Education	480,800,000.00
	Bursary and Scholarship	400,000,000.00
	General Administration and Support Services	485,042,408.00
	SUB-TOTAL	1,420,542,408.00
HEALTH	Preventive and Promotive Health care Services	121,000,000.00
	Curative and Rehabilitative Health care Services	314,250,000.00
	General administration, Health Management & Support services	1,845,555,120.00
	SUB-TOTAL	2,230,805,120.00
SOCIAL SERVICES AND TALENT MANAGEMENT	Culture and Social Services Development	87,543,337.00
	Sports, Arts and Talent Development	69,000,000.00
	Community Empowerment/Development	90,000,000.00
	General Administration, Planning and Support Services	144,323,934.00
	SUB-TOTAL	390,867,274.00
TOURISM AND ENTERPRISE DEVELOPMENT	Market infrastructure Development Services	38,900,000.00
	Trade Development Services	44,000,000.00
	Weights and Measures	6,200,000.00
	Investments	115,000,000.00
	Tourism Development Services	67,000,000.00
	ICT infrastructural Development Services	40,833,331.00
	General Administration, Planning and Support Services	108,823,928.00
	SUB-TOTAL	410,757,259.00
ROADS AND PUBLIC WORKS	Roads	290,259,990.00
	Public works and Government Buildings	73,000,000.00

	County Public Lighting and Electrification	73,833,333.00
	General Administration, Planning and Support Services	136,821,520.00
	SUB TOTAL	573,914,843.00
FINANCE AND ECONOMIC PLANNING	Economic and Financial Policy Formulation and Management	57,116,343.00
	Revenue Mobilization and Administration	60,686,115.00
	Public Finance Management	60,686,115.00
	General Administration, Planning and Support Services	246,223,437.00
	SUB-TOTAL	424,712,009.00
PUBLIC SERVICE AND ADMINISTRATION	Infrastructural Development Services	53,000,000.00
	Waste Management	67,000,000.00
	General Administration, Planning and Support Services	250,667,531.00
	SUB-TOTAL	370,667,531.00
COUNTY EXECUTIVE SERVICES	Infrastructural Development services	76,500,000.00
	General Administration, Planning and Support Services	146,433,322.00
	SUB TOTAL	222,933,322.00
COUNTY PUBLIC SERVICE BOARD	General Administration, Planning and Support Services	47,519,471.00
	SUB TOTAL	47,519,471.00
COUNTY ASSEMBLY	County assembly infrastructural development services	93,000,000.00
	General Administration, Planning and Support Services	589,345,447.00
	SUB-TOTAL	682,345,447.00

Source: Kwale County Treasury

ANNEX V: Summary of Personnel Emoluments ceilings FY 2018/19-FY 2021

PERSONNEL EMOLUMENTS 2019 CFSP CEILINGS FOR FY 2019/2020 BUDGET					
SECTOR		Estimates FY 2018/19	Ceilings 2019/2020	PROJECTIONS	
				FY 2020/2021	FY 2021/2022
AGRICULTURE, RURAL AND URBAN DEVELOPMENT	TOTAL	162,037,160.00	170,100,501.08	178,605,526.13	187,535,802.44
Agriculture, Livestock and Fisheries	Sub Total	139,573,362.00	146,518,852.92	153,844,795.57	161,537,035.34
Environment and Natural Resources Management	Sub Total	22,463,798.00	23,581,648.16	24,760,730.57	25,998,767.10
ENERGY AND INFRASTRUCTURE	TOTAL	58,871,414.49	78,298,371.23	82,213,289.79	86,323,954.28
Roads and Public Works	Sub Total	58,871,414.49	78,298,371.23	82,213,289.79	86,323,954.28
GENERAL ECONOMIC & COMMERCIAL AFFAIRS	TOTAL	46,059,133.00	48,351,141.20	50,768,698.26	53,307,133.17
Trade and Cooperatives Development		26,610,682.00	27,934,890.63	29,331,635.16	30,798,216.92
Tourism, Investment and ICT	Sub Total	19,448,451.00	20,416,250.57	21,437,063.10	22,508,916.25
HEALTH SERVICES	TOTAL	1,324,077,003.00	1,389,966,114.45	1,459,464,420.17	1,532,437,641.18
EDUCATION	TOTAL	271,806,156.00	427,978,529.45	449,377,455.92	471,846,328.72
PUBLIC ADMINISTRATION & INTERNATIONAL RELATIONS	TOTAL	708,935,203.09	711,670,815.18	747,254,355.94	784,617,073.74
County Assembly	Sub Total	219,256,176.20	230,166,866.89	241,675,210.23	253,758,970.75
County Executive Services	Sub Total	71,204,432.62	74,747,728.66	78,485,115.09	82,409,370.85
Public Service and Administration	Sub Total	141,331,436.97	148,364,413.74	155,782,634.43	163,571,766.15
Finance and Economic Planning	Sub Total	250,000,000.00	229,897,942.77	241,392,839.91	253,462,481.90
County Public Service Board	Sub Total	27,143,157.30	28,493,863.12	29,918,556.28	31,414,484.09
SOCIAL SERVICES AND TALENT MANAGEMENT	TOTAL	31,578,797.00	33,150,230.44	34,807,741.96	36,548,129.06
WATER SERVICES	TOTAL	29,607,562.80	39,305,693.10	41,270,977.76	43,334,526.64
GRAND TOTAL	TOTAL	2,632,972,429.38	2,898,821,396.13	3,043,762,465.94	3,195,950,589.23

Source: Kwale County Treasury

ANNEX VI: Summary of Operations and Maintenance ceilings FY 2018/19-FY2021/22

2019 CFSP OPERATIONS AND MAINTENANCE FOR FY 2019/2020 BUDGET					
SECTOR		Estimates FY 2018/19	Ceilings FY 2019/2020	PROJECTIONS	
				FY 2020/2021	FY 2021/2022
AGRICULTURE, RURAL AND URBAN DEVELOPMENT	TOTAL	67,832,180.15	52,718,342.09	64,748,820.24	67,986,261.26
Agriculture, Livestock and Fisheries	Sub Total	38,647,000.00	23,145,436.47	30,907,897.09	32,453,291.95
Environment and Natural Resources Management	Sub Total	29,185,180.15	29,572,905.62	33,840,923.15	35,532,969.31
ENERGY AND INFRASTRUCTURE	TOTAL	38,743,302.56	58,523,148.82	70,126,636.46	73,632,968.28
Roads and Public Works	Sub Total	38,743,302.56	58,523,148.82	70,126,636.46	73,632,968.28
GENERAL ECONOMIC & COMMERCIAL AFFAIRS	TOTAL	87,160,965.00	60,472,787.27	69,706,888.93	73,192,233.38
Trade and Coop Development	Sub Total	44,966,283.00	30,548,773.28	35,961,736.94	37,759,823.79
Tourism, Investment and ICT	Sub Total	42,194,682.00	29,924,013.99	33,745,151.99	35,432,409.59
HEALTH SERVICES	TOTAL	521,454,241.00	455,589,006.00	512,097,210.45	537,702,070.97
EDUCATION	TOTAL	488,883,365.00	457,063,878.47	501,395,025.04	526,464,776.30
PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS	TOTAL	804,976,083.92	603,122,634.09	633,278,765.79	664,942,704.08
County Assembly	Sub Total	340,278,676.88	359,178,580.41	272,137,509.43	285,744,384.90
County Executive Services	Sub Total	94,116,878.06	71,685,593.32	75,269,872.99	79,033,366.64
Public Service and Administration	Sub Total	134,314,993.98	97,041,432.51	107,418,273.39	112,789,187.05
Finance and Economic Planning	Sub Total	217,800,335.00	144,814,067.12	158,476,221.88	166,400,032.97
County Public Service Board	Sub Total	18,465,200.00	19,025,607.73	19,976,888.12	20,975,732.52
SOCIAL SERVICES AND TALENT MANAGEMENT	TOTAL	86,392,272.00	111,173,707.21	122,642,127.52	128,774,233.90
WATER SERVICES	TOTAL	35,819,049.95	33,991,678.04	43,346,247.04	45,513,559.39
SUB TOTAL	TOTAL	2,131,261,459.58	1,921,277,829.99	2,017,341,721.49	2,118,208,807.56
Conditional Grants and Loans		0.00	192,093,791.00	201,698,480.55	211,783,404.58
GRAND TOTAL		2,131,261,459.58	2,113,371,620.99	2,219,040,202.04	2,329,992,212.14

Source: Kwale County Treasury

ANNEX VII: EXPENDITURE CEILINGS BY ECONOMIC CLASSIFICATION FOR FY 2019/2020 BUDGET

SECTOR		P.E	O & M	RECURRENT	DEVELOPMENT	TOTAL BUDGET
AGRICULTURE, RURAL AND URBAN DEVELOPMENT	TOTAL	170,100,501.08	52,718,342.09	222,818,843.17	398,533,334.00	621,352,177.17
Agriculture, Livestock and Fisheries	Sub Total	146,518,852.92	23,145,436.47	169,664,289.39	267,200,000.00	436,864,289.39
Environment and Natural Resources Management	Sub Total	23,581,648.16	29,572,905.62	53,154,553.78	131,333,334.00	184,487,887.78
ENERGY AND INFRASTRUCTURE	TOTAL	78,298,371.23	58,523,148.82	136,821,520.05	437,093,323.00	573,914,843.05
Roads and Public Works	Sub Total	78,298,371.23	58,523,148.82	136,821,520.05	437,093,323.00	573,914,843.05
GENERAL ECONOMIC & COMMERCIAL AFFAIRS	TOTAL	48,351,141.20	60,472,787.27	108,823,928.47	301,933,331.00	410,757,259.47
Trade and Cooperatives Development	Sub Total	27,934,890.63	30,548,773.28	58,483,663.91	198,503,271.58	256,986,935.49
Tourism, Investment and ICT	Sub Total	20,416,250.57	29,924,013.99	50,340,264.56	103,430,059.42	153,770,323.98
HEALTH SERVICES	TOTAL	1,389,966,114.45	455,589,006.00	1,845,555,120.45	385,250,000.00	2,230,805,120.45
EDUCATION	TOTAL	427,978,529.45	457,063,878.47	885,042,407.92	535,500,000.00	1,420,542,407.92
PUBLIC ADMINISTRATION & INTERNATIONAL RELATIONS	TOTAL	711,670,815.18	603,122,634.09	1,403,416,096.70	339,500,000.00	1,742,916,096.70
County Assembly	Sub Total	230,166,866.89	359,178,580.41	589,345,447.30	93,000,000.00	682,345,447.30
County Executive Services	Sub Total	74,747,728.66	71,685,593.32	146,433,321.98	76,500,000.00	222,933,321.98
Public Service and Administration	Sub Total	148,364,413.74	97,041,432.51	245,405,846.25	120,000,000.00	365,405,846.25
Finance and Economic Planning	Sub Total	229,897,942.77	144,814,067.12	374,712,009.89	50,000,000.00	424,712,009.89
County Public Service Board	Sub Total	28,493,863.12	19,025,607.73	47,519,470.85	0	47,519,470.85
SOCIAL SERVICES AND TALENT MANAGEMENT	TOTAL	33,150,230.44	111,173,707.21	144,323,937.65	246,543,337.00	390,867,274.65
WATER SERVICES	TOTAL	39,305,693.10	33,991,678.04	73,297,371.14	433,000,000.00	506,297,371.14
TOTAL	TOTAL	2,898,821,396.13	1,921,277,829.98	4,820,099,226.11	3,077,353,324.87	7,897,452,550.98
CONDITIONAL GRANTS	TOTAL	0	192,093,791.00	192,093,791.00	1,079,923,051.00	1,272,016,842.00
GRAND TOTAL		2,898,821,396.13	2,113,371,620.98	5,012,193,017.11	4,157,276,375.87	9,169,469,392.98
% ALLOCATION		31.61	23.05	54.66	45.34	100.00

Source : Kwale County Treasury