



**COUNTY GOVERNMENT OF KWALE**  
**COUNTY TREASURY**

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**MEDIUM TERM**

**2020 COUNTY FISCAL STRATEGY PAPER**

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*Unlocking County's Economic Potential Towards County Transformation Agenda*

**FEBRUARY 2020**

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## **FOREWORD**

The preparation of 2020 County Fiscal Strategy Paper (CFSP) is guided by section 117 of the Public Finance Management Act (PFMA), 2012 and Regulations No. 25 (1) of the Public Finance Management Regulations 2015 (For County Governments). Section 117 of the PFMA, 2012 states that the County Treasury shall prepare and submit to the County Executive Committee a County Fiscal Strategy Paper (CFSP) for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the County Assembly, by the 28<sup>th</sup> February of each year.

The 2020 CFSP is prepared against a background of anticipated upward growth of the Kenya's economy. The domestic economy is projected to expand by above 6.1 percent over the medium term. This will be attributable to the envisaged stable macro environment, robust services sector and ongoing investments in the National Government strategic priorities under the "Big Four" Plan. On the local scene, increased mining activities, sugarcane production, tourism earnings and infrastructural development are expected to boost the economy.

This 2020 CFSP has set out policy measures which prioritize strategic programmes anchored in the second County Integrated Development Plan (CIDP) 2018-2022 and the Governor's Manifesto to the people of Kwale. This paper has been aligned to the 2020 Budget Policy statement. The policy measures put forward in this paper are expected to position the County to take advantage of the ongoing National Government strategic investments as espoused in the "Big Four" plan (MTP III).

The strategic intentions and policy objectives outlined in this 2020 CFSP have benefited from wide consultations. I would like to thank H.E. The Governor and H.E. The Deputy Governor for their guidance while developing this document. Much appreciation to my county executive members' colleagues, Chief Officers, staff of the County Treasury, Stakeholders and the general public for their valuable inputs.

**BAKARI H. SEBE**  
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## **ACKNOWLEDGEMENT**

This 2020 Kwale County Fiscal Strategy Paper sets out the framework for preparation of FY 2020/2021 budget. It articulates the economic policies and structural reforms as well as sector based programmes that will be implemented in the FY 2020/2021 budget. The strategic intentions and policy goals are in line with the County Annual Development Plan 2020/2021 which is linked to the Kwale County Integrated Development Plan 2018-2022.

The fiscal policy in this paper remains one of reorienting non-priority expenditures to priority strategic expenditures so as to meet our policy goals and strategic objectives. For revenue enhancement policy measures shall be undertaken. Such measures will include full automation of revenue administration to improve on efficiency in collection and enactment of revenue raising laws.

The preparation of this paper involved an array of experts, professionals and key stakeholders. We wish to express our gratitude to all those persons who participated in the preparation of this strategy paper. The responsibility of ensuring timely preparation of this CFSP lies with the County Treasury and specifically the Budget and Economic Planning Division. The Budget and Economic Planning team spent substantial amount of time in putting together the contents of this paper. We are grateful to the officers led by the Director of Budget & Economic Planning for their tireless efforts; dedication, sacrifice and commitment that enabled the timely production of this draft 2020 CFSP.

**ALEX ONDUKO THOMAS**  
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## 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
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CO	Chief Officer
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 Public Finance Management Act (PFMA), 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 28<sup>th</sup> 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 national 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 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.

### **The Constitution of Kenya 2010 on Principles of Public Finance**

Article 201 of the Kenyan Constitution, 2010 sets out the following principles of public finance –

- a) there shall be openness and accountability, including public participation in financial matters;
- b) the public finance system shall promote an equitable society, in particular-
  - i. the burden of taxation shall be shared fairly;
  - ii. revenue raised nationally shall be shared equitably among national and county governments;  
and
  - iii. expenditure shall promote the equitable development of the country, including by making special provision for marginalized groups and areas;
- c) the burdens and benefits of the use of resources and public borrowing shall be shared equitably between present and future generations;
- d) public money shall be used in a prudent and responsible way; and
- e) financial management shall be responsible, and fiscal reporting shall be clear.



## **Fiscal Responsibility Principles for the National and County Governments**

Section 107 of the Public Finance Management Act, 2012 sets the principles of fiscal responsibility.

Subsection (2) states that:

In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles: -

- a) the county government's recurrent expenditure shall not exceed the county government's total revenue
- b) over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure
- c) the county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenues as prescribed by the County Executive member for finance in regulations and approved by the County Assembly.
- d) Over the medium term, the county government's borrowing shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- e) the County debt shall be maintained at a suitable level as approved by County Assembly
- f) the financial risks shall be managed prudently, and
- g) a reasonable degree of predictability with respect to the level of tax bases shall be maintained, taking into account any tax reforms that may be made in the future
- h) Short term borrowing as mentioned in (d) above shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue.

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## CHAPTER ONE: BACKGROUND INFORMATION

### 1.1 Overview

1. The 2020 Kwale County Fiscal Strategy Paper is prepared in compliance with the provisions of section 117 of the Public Management Act, 2012. The 2020 County Fiscal Strategy Paper (CFSP) sets out the broad strategic priorities and policy goals that will guide the county government in preparing the budget for the financial year (FY) 2020/2021 and over the medium term. This document is expected to improve the public's understanding of County Government's fiscal matters as well as strategic priorities to improve the well-being of Kwale people.

2. The preparation of the CFSP is anchored in the constitution of Kenya under the article 220 (1) which states that the budgets of the National and County Governments shall contain (a) estimates of revenues and expenditures, differentiating between recurrent and development expenditures; (b) proposals for financing any anticipated deficit for the period for which they apply; and (c) proposals regarding borrowing and other forms of public debt during the following year.

3. In compliance to section 117 of the Public Finance Management Act 2012, this 2020 CFSP contains: (a) an assessment of the current state of the Kenyan economy which has a bearing on the county economy (b) the financial outlook with respect to county government revenues and expenditures for the next financial year and over the medium term (c) the proposed expenditure ceiling for the county executive departments and the county assembly (d) the fiscal responsibility principles and financial objectives over the medium term (e) the statement of financial risks. The County Fiscal Strategy Paper 2020 is aligned to the National Objectives in the 2020 Budget Policy Statement and forms the basis for implementation of the 2018-2022 County Integrated Development Plan.

4. This 2020 CFSP seeks to accelerate the implementation of our strategic priorities and policy goals articulated in the 2018-2022 County Integrated Development Plan. The CIDP 2018-2022 is implemented by five successive annual development plans which we are in the third phase. This strategy paper links the actualization of policies and programmes outlined in the 2020/2021 County Annual Development Plan (CADP). Specifically, this paper has been formulated by

adopting the five priority areas as espoused in the 2020/2021 CADP namely (a) Education (b) Healthcare (c) Infrastructural Development (d) food security (e) promotion of tourism, trade and investment.

### **1.2 2020 CFSP Preparation Methodology**

5. Article 201 of the Constitution of Kenya 2010 provides for engagement of the citizens in decision making in fiscal matters including the budget making process. Article 201 emphasizes as one of the principles of public finance: openness and accountability including public participation in financial matters. In pursuit of this provision, the County Treasury will hold public participation fora across the sub counties to collect views and contributions on the draft 2020 CFSP. Further, in adherence to section 117 (e), the County Treasury shall seek and take into account the views of: the Commission on Revenue Allocation (CRA), the Public, any interested persons or groups and any other forum that is established by legislation.

6. This 2020 CFSP is organized as follows: Chapter I introduces the paper. Chapter II provides an assessment of the current state of the Kenyan economy which has a bearing on the county economy and a review of the fiscal performance for half year 2019/2020 and its implications on the financial objectives given in this 2020 CFSP and the PFMA fiscal responsibility principles. Macroeconomic policies and outlook are given in chapter III. This is followed by proposed resource allocation framework, fiscal projections and sector ceilings in chapter IV and chapter V concludes the paper.

## CHAPTER TWO: RECENT ECONOMIC DEVELOPMENTS

### 2.1 Overview of Recent Economic Developments

7. The Kenyan economy remained resilient and grew by an average of 5.5 percent in the first three quarters of 2019, mostly supported by strong performance in the services sector. Growth momentum is expected to pick up to 6.1 percent in 2020 and further to 7.0 percent over the medium term. This will be supported by a strong rebound in the agricultural sector, steady recovery in industrial activities, robust performance in the services sector, and investments in strategic areas under the “Big Four” Plan.

8. The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate to support exports. At 5.8 percent in December 2019, year-on-year overall inflation remained stable and within the 5 (+/-2.5) percent target largely due to lower food prices following favorable weather conditions. Inflation is expected to remain within target in 2020, largely due to lower energy prices and expected stability in food prices. The foreign exchange market remains stable supported by the narrowing of the current account deficit which reflects strong growth in diaspora remittances and tourism receipts, higher tea and horticultural exports, slower growth in imports due to lower food imports and the decline in international oil prices.

### 2.2 Global and Regional Economic Developments

9. Global growth is projected to pick up to 3.4 percent in 2020 from an estimated 3.0 percent growth in 2019 on account of recoveries in stressed emerging markets and macroeconomic policy support in major economies. In advanced economies, growth is expected to slow down to 1.7 percent in 2020 from an estimated 2.3 percent in 2018 mainly due to trade tensions between the United States of America (U.S.A) and China, uncertainties surrounding the Brexit outcome, rising global oil prices due to tensions between U.S.A and Iran, and the pace of normalization of monetary policy in the advanced economies. Among emerging markets and developing economies, growth is expected to pick up to 4.6 percent in 2020 from an estimated 3.9 percent in 2019 reflecting recoveries in stressed economies such as Turkey, Argentina and Iran as well as pickup in growth for Brazil, Mexico, India, Russia and Saudi Arabia which recorded significant slowdowns in 2019 relative to 2018.

10. Growth prospects for sub-Saharan Africa continue to strengthen. Growth is projected to improve to 3.6 percent in 2020 from 3.2 percent in 2018 and 2019, supported by higher commodity prices, improved capital market access and contained fiscal imbalances in many countries. Growth in the East African Community (EAC) region is estimated to improve to 6.0 percent in 2020 from 5.6 percent in 2019 mostly supported by the stable macroeconomic environment, rebound in agricultural activities on the backdrop of favorable weather conditions, ongoing infrastructure investments, and strong private consumption.

**Table 1: Global economic growth (%)**

REGION/COUNTRY	Actual	Estimated	Projected
	2018	2019	2020
World	3.6	3.0	3.4
Advanced Economies	2.3	1.7	1.7
Of which: USA	2.9	2.4	2.1
Emerging and Developing Economies	4.5	3.9	4.6
Of which: China	6.6	6.1	5.8
India	6.8	6.1	7.0
Sub-Saharan Africa	3.2	3.2	3.6
Of which: South Africa	0.8	0.7	1.1
Nigeria	1.9	2.3	2.5
EAC-5	6.5	5.6	6.0
Of which: Kenya	6.3	5.6	6.1
<i>EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda</i>			

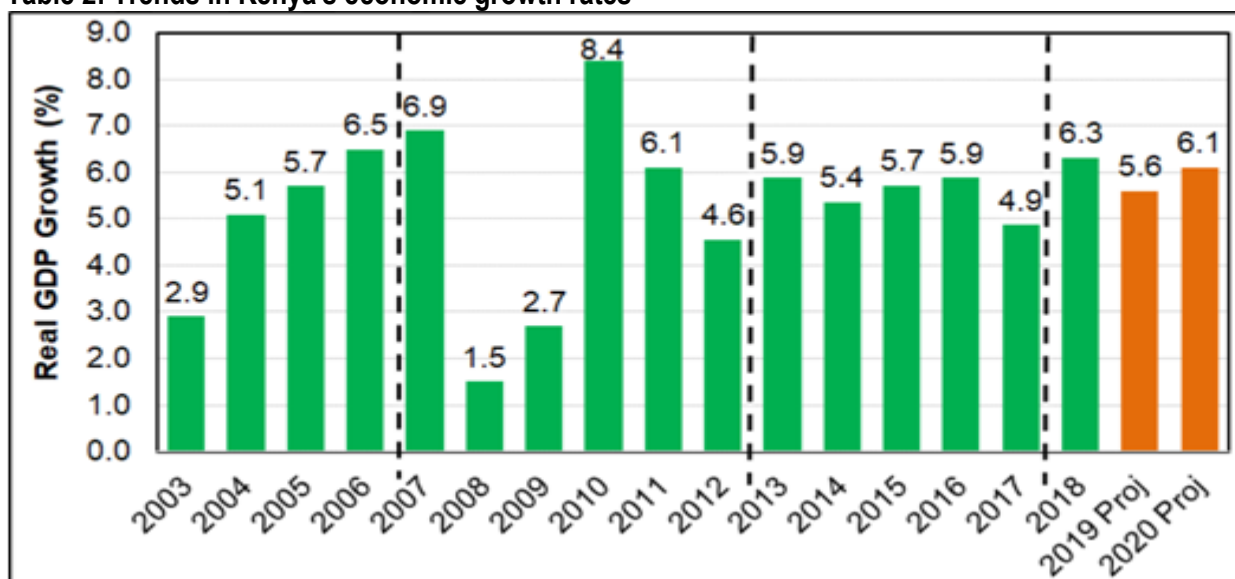
*Source of data-October 2019 WEO; Projections by the National Treasury*

### 2.3 Domestic Economic Developments

11. 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 5.7 percent for the last six years (2013 to 2018) outperforming the average growth rate of 4.7 percent in the period 2008 to 2012 and 5.4 percent in the period 2003 to 2007. Growth is estimated at 5.6 percent in 2019 and projected to recover to 6.1 percent in 2020. Per capita income rose by 79 percent from Ksh.113, 539 in 2013 to an estimated Ksh.202,859 in 2019.

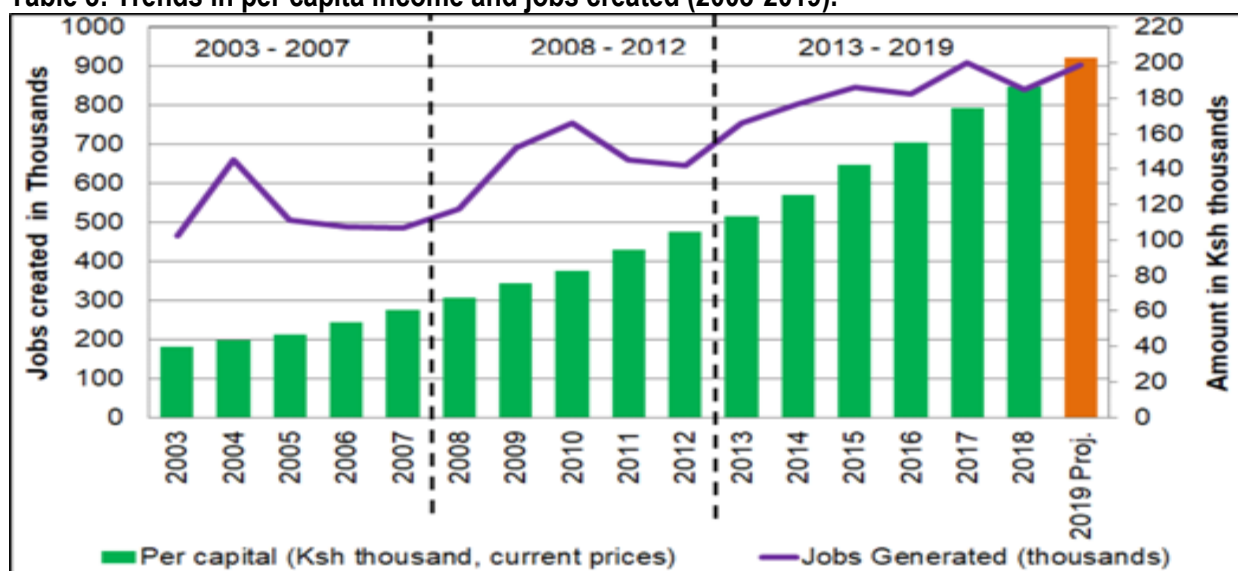


**Table 2: Trends in Kenya's economic growth rates**



Source of data: Kenya National Bureau of Statistics

**Table 3: Trends in per capita income and jobs created (2003-2019).**



Source of data: Kenya National Bureau of Statistics

12. A resilient non-agricultural sector continues to support economic growth. The economy grew by an average of 5.5 percent in the first three quarters of 2019 and the full year growth is estimated at 5.6 percent in 2019 down from 6.3 percent in 2018. In the third quarter of 2019, the economy grew by 5.1 percent compared to a growth of 6.4 percent in a similar quarter in 2018,

mainly supported by strong performance in the services sub-sector such as information and communication, transportation and storage, and accommodation and restaurant.

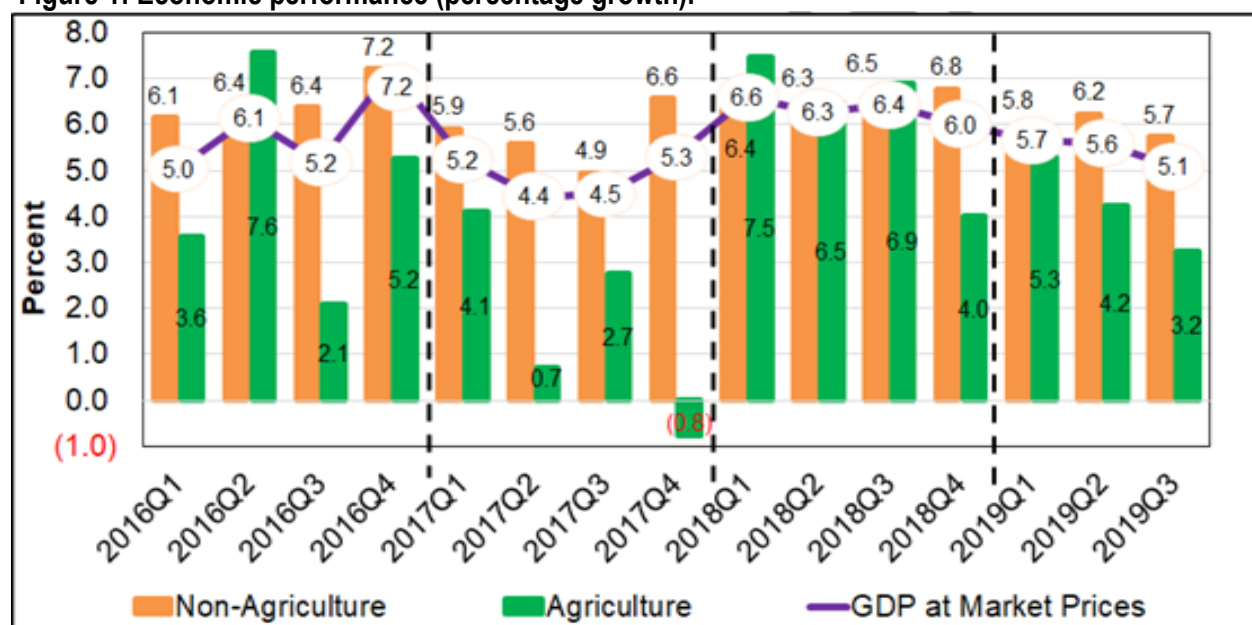
**Table 4: Sectoral Real GDP growth rates, percent.**

Sectors	Sector Growth									Sector Contribution to Real GDP Growth								
	2017			2018			2019			2017			2018			2019		
	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3
<b>Primary Industry</b>	4.2	0.8	2.8	7.3	6.3	6.7	5.2	4.3	3.3	1.1	0.2	0.6	2.0	1.5	1.3	1.4	1.0	0.6
Agriculture, Forestry and Fishing	4.1	0.7	2.7	7.5	6.5	6.9	5.3	4.2	3.2	1.1	0.2	0.5	1.9	1.5	1.3	1.4	1.0	0.6
Mining and Quarrying	5.8	4.3	4.5	2.4	2.9	3.3	2.2	5.7	4.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
<b>Secondary Sector (Industry)</b>	4.3	3.8	2.5	5.0	5.5	5.8	4.3	5.3	4.5	0.8	0.7	0.5	0.9	1.0	1.1	0.7	1.0	0.8
Manufacturing	1.6	0.1	0.1	3.8	4.7	4.6	3.2	4.2	3.1	0.2	0.0	0.0	0.4	0.5	0.5	0.3	0.4	0.3
Electricity and Water supply	8.2	8.3	5.8	6.5	8.4	7.8	6.1	5.6	4.9	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Construction	7.9	9.1	5.5	6.6	5.4	7.0	5.6	7.2	6.6	0.4	0.5	0.3	0.3	0.3	0.4	0.3	0.4	0.4
<b>Tertiary sector (Services)</b>	6.1	5.7	5.5	6.6	6.4	6.5	6.0	6.5	5.7	2.9	2.7	2.9	3.2	3.1	3.4	2.9	3.2	3.0
Wholesale and Retail trade	3.4	5.0	6.6	5.9	6.2	6.5	5.5	6.0	4.7	0.2	0.4	0.6	0.4	0.4	0.6	0.4	0.4	0.4
Accommodation and Restaurant	24.2	12.3	12.0	13.1	15.4	15.7	10.1	10.6	9.0	0.3	0.1	0.1	0.2	0.1	0.2	0.1	0.1	0.1
Transport and Storage	7.3	6.5	5.1	8.5	8.4	9.0	6.7	7.2	7.1	0.4	0.4	0.4	0.5	0.6	0.7	0.4	0.5	0.5
Information and Communication	13.6	11.4	10.7	12.5	11.1	9.8	10.4	11.3	8.4	0.5	0.3	0.4	0.5	0.4	0.4	0.4	0.4	0.3
Financial and Insurance	3.8	3.3	2.3	5.2	4.5	5.3	5.5	7.2	5.6	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4
Public Administration	3.8	4.8	6.5	6.2	5.9	6.1	6.5	6.0	5.8	0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.3	0.2
Others	5.4	5.5	4.9	5.3	5.3	5.0	4.8	5.4	5.0	1.1	1.1	1.0	1.0	1.1	1.1	0.9	1.1	0.0
of which Real Estate	6.4	6.3	6.1	5.3	4.6	3.8	4.2	5.4	4.9	0.5	0.5	0.5	0.4	0.4	0.3	0.3	0.4	0.4
Taxes less subsidies	4.0	6.0	4.6	5.7	5.5	5.6	5.8	4.6	4.2	0.4	0.7	0.6	0.6	0.6	0.7	0.6	0.5	0.5
<b>GDP at market price</b>	5.2	4.4	4.5	6.6	6.3	6.4	5.7	5.6	5.1	5.2	4.4	4.5	6.6	6.3	6.4	5.7	5.6	5.1
of which Non-Agriculture	5.9	5.6	4.9	6.4	6.3	6.5	5.8	6.2	5.7	3.7	3.6	3.4	4.1	4.1	4.5	3.7	4.1	4.0

*Source of data: Kenya National Bureau of Statistics*

13. The agriculture sector recorded a decreased growth of 3.2 percent in the third quarter of 2019 compared to a growth of 6.9 percent in a similar quarter of 2018, as a result of delayed long rains. Consequently, the sector’s contribution to GDP growth declined to 0.6 percent in the third quarter of 2019 compared to 1.3 percent in the same period in 2018. 14. The non-agricultural sector (service and industry) remained vibrant and grew by 5.7 percent in the third quarter of 2019 down from a growth of 6.5 percent in a similar quarter in 2018. It has the largest percentage contribution to real GDP growth at 4.0 in the third quarter of 2019, mainly supported by the services sector.

Figure 1: Economic performance (percentage growth).



Source of data: Kenya National Bureau of Statistics

14. Services remained the main source of growth. The sector expanded by 5.7 percent in the third quarter of 2019 compared to a growth of 6.5 percent in the same quarter of 2018. This was mainly supported by improved growth in accommodation and restaurant (9.0 percent), transport and storage (7.1 percent) and financial and insurance (5.6 percent). The services sector contributed 3.0 percentage points to real GDP growth in the third quarter of 2019 largely supported by transport and storage (0.5 percentage points), wholesale and retail trade (0.4 percentage points) and Real estate (0.4 percentage points).

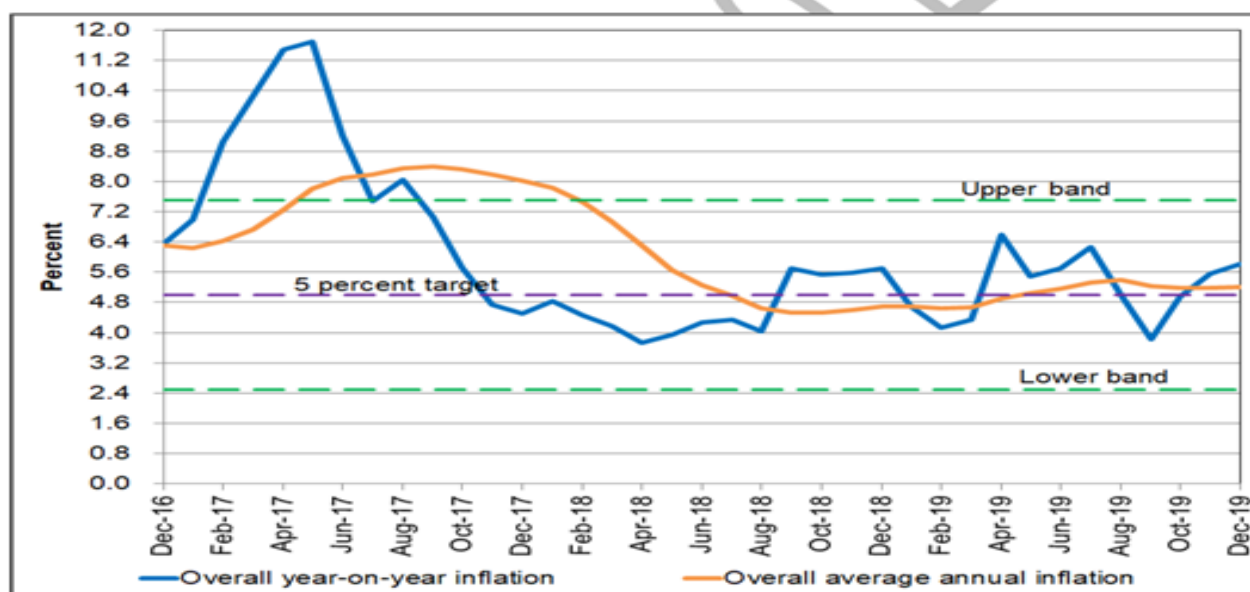
15. The performance of industry declined to 4.5 percent in the third quarter of 2019 compared to 5.8 percent in the same quarter in 2018 following subdued activities in the manufacturing, electricity and water supply and construction sectors. The slowdown in the manufacturing sector was attributed to the fall in agro-processing activities, a reflection of declining agricultural production. The industry sector accounted for 0.8 percentage points of growth in the third quarter of 2019, largely driven by construction and manufacturing sectors. 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, wind power and geothermal power generation coupled with growth of thermal generation.

## 2.4 Performance of the Kenya’s Macro – Economic Indicators

### 2.4.1 Inflation

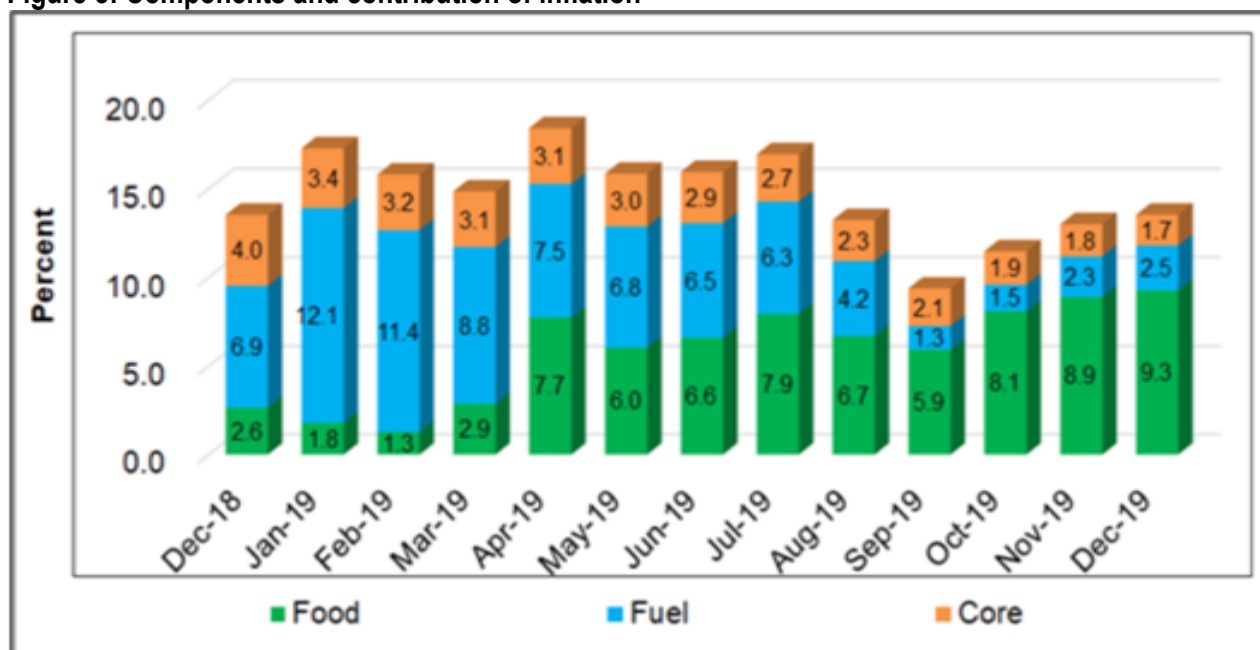
16. Year-on-year overall inflation remained low, stable and within the Government target range of 5+/-2.5 percent in December 2019 at 5.8 percent up from 5.7 percent in December 2018 mainly due to rising food prices. In 2019, inflation averaged 5.2 percent compared to the 2018 average of 4.7 percent. We expect inflation to average 5.2 percent in 2020, within the government target range of 2.5- 7.5 percent with inflationary pressure gradually easing off, due to improved agricultural production thus causing a decline in food prices following favorable weather conditions.

Figure 2: Inflation rates



17. Core inflation (Non-Food-Non-Fuel) remained below 5.0 percent in the period under review reflecting subdued demand pressures in the economy. Fuel inflation declined from 6.9 percent in December 2018 to 2.5 percent in December 2019 on account of declining energy prices.

Figure 3: Components and contribution of inflation

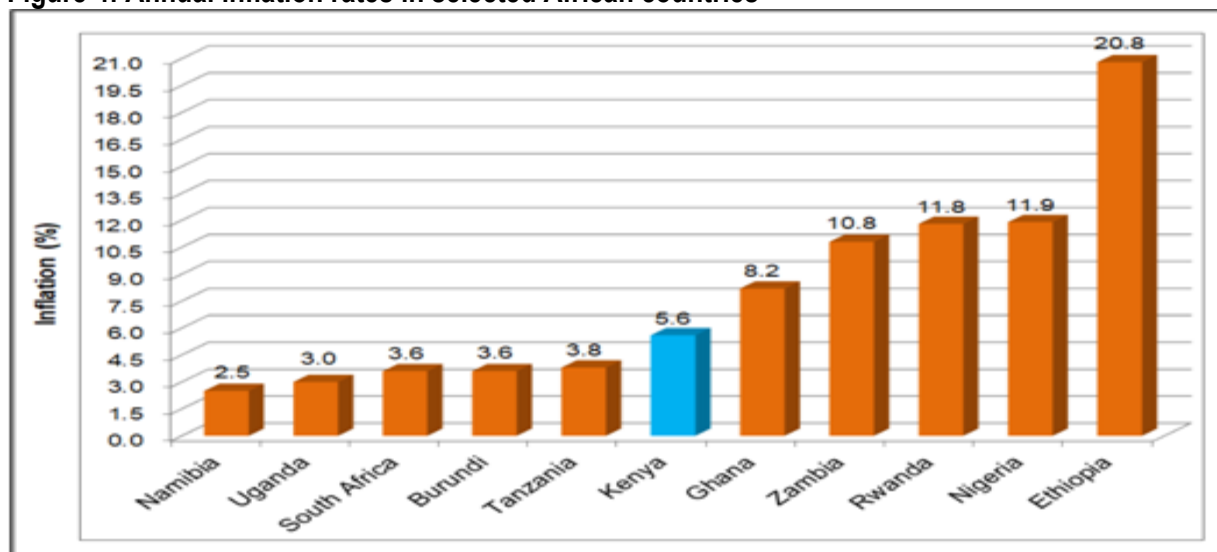


Source of data: Kenya National Bureau of Statistics

**18.** The delay in the onset of rains resulted in lower agricultural activities and raised food inflation from March 2019. Food inflation increased from 2.6 percent in December 2018 to 9.3 percent in December 2019 reflecting rising prices of key food items. The contribution of core inflation to overall inflation has been low and stable reflecting muted demand pressures in the economy on account of prudent monetary policies. The major driver of overall inflation from December 2018 to March 2019 was fuel inflation. However, beginning March 2019 food inflation has been the major driver of inflation

**19.** Kenya’s rate of inflation compares favorably with the rest of Sub-Saharan African countries and its peers such as Nigeria and Ghana whose inflation rates were 11.9 percent and 8.2 percent, respectively in November 2019. We expect inflationary pressure from an expected increase in fuel prices due to increased external uncertainties such as the current U.S-Iran diplomatic row.

Figure 4: Annual inflation rates in selected African countries

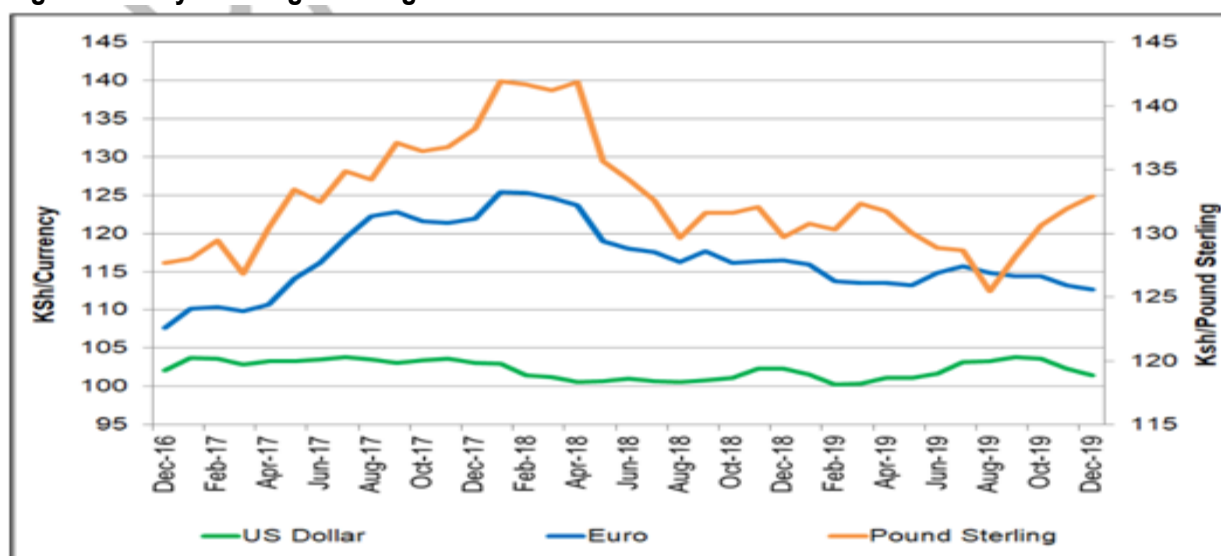


Source of data: Various National Central Banks

#### 2.4.2 Kenya Shilling Exchange rates

20. The Kenya Shilling has been relatively stable supported by continued narrowing of the current account deficit and adequate foreign reserve buffer. The Shilling appreciated against the US Dollar and the Euro exchanging at an average of Ksh 101.4 and Ksh 112.7 in December 2019 from Ksh 102.3 and Ksh 116.4 in December 2018, respectively. However, against the Sterling Pound, the Shilling weakened exchanging at an average of Ksh 133.0 in December 2019 compared to Ksh 129.7 in December 2018. The Kenya Shilling has continued to display relatively less volatility, compared to most Sub-Saharan currencies (Chart 1.4b). This stability reflects strong inflows from tea and horticulture exports, resilient diaspora remittances and improved receipts from services particularly tourism.

Figure 5: Kenya shilling exchange rate



Source of data: Central Bank of Kenya

### 2.4.3 Interest Rates

21. Interest rates were low and stable for the period 2008 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 to October 2019, except from June to December 2015 when world currencies were under pressure. During the period, the Central Bank Rate (CBR) was adjusted appropriately to anchor inflation expectations (Chart 1.6). The Central Bank Rate was reduced to 8.5 percent on 25th November 2019 from 9.0 percent in August 2018 as there was room for easing monetary policy stance to support economic activity.

22. The interbank rate declined to 5.9 percent in December 2019 from 8.2 percent in December 2018 due to enhanced liquidity in the money market. The interest rates for government securities have been declining indicating that the implementation of government domestic borrowing program supported market stability. The 91-day Treasury bills rate declined to 7.2 percent in December 2019 compared to 7.3 percent in December 2018. The 182-day Treasury bills rate declined to 8.2 percent from 8.4 percent while 364-day increased to 9.8 percent from 9.7 percent.



Figure 6: Short-term interest rates



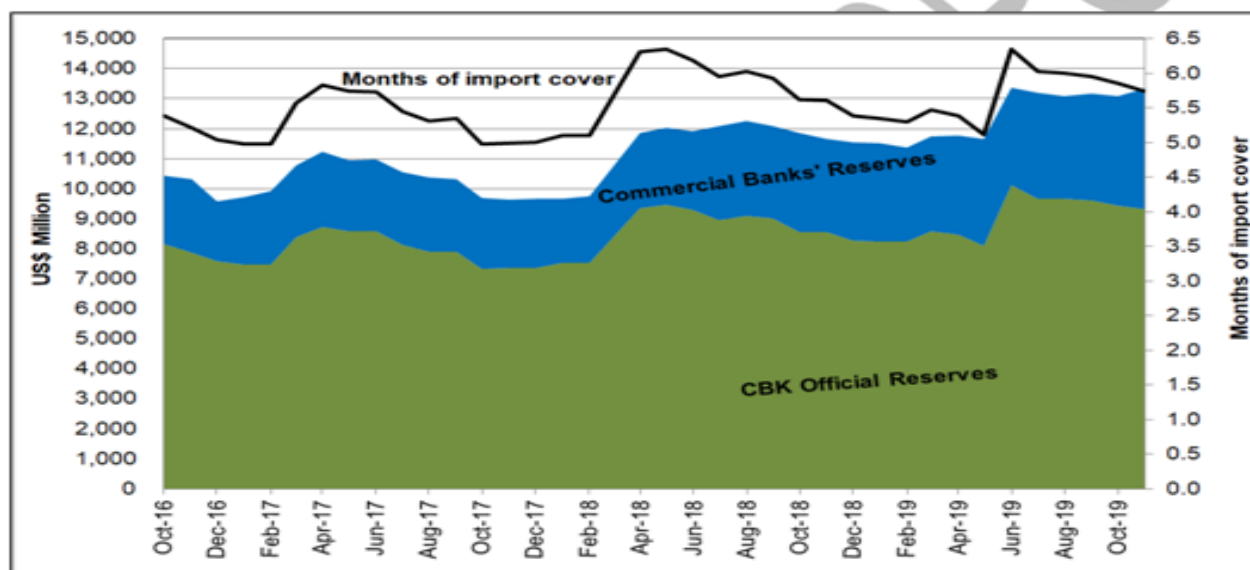
Source: Central Bank of Kenya

#### 2.4.4 Foreign Exchange Reserves

23. Foreign exchange reserves have increased from around 3.0 months of import cover in 2003 to above 5.0 months of import cover in 2019. This fulfils the requirement to maintain at least 4 months of imports cover, and the EAC region’s convergence criteria of 4.5 months of imports cover and thus provide an adequate buffer against short term shocks in the foreign exchange market. The banking system’s foreign exchange holding remained strong at US\$ 13,343.9 million in October 2019 from US\$ 11,667.9 million in October 2018 (Chart 1.8). The official foreign exchange reserves held by the Central Bank improved to US\$ 9,336.8 million (5.7 months of import cover) in October 2019 compared with US\$ 8,553.9 million (5.6 months of import cover) in October 2018. Commercial banks holdings stood at US\$ 4,007.2 million in October 2019 up from US\$ 3,114.0 million in October 2018.



Figure 7: Official foreign exchange reserves (US \$millions)



Source of data: Central bank of Kenya

## General Performance of the County Economy

### 2.5 County Economic Activities

#### 2.5.1 Agriculture, livestock and fisheries

**24.** Under the implementation of the ‘Big four plan’ the National Government targets to ensure food and nutrition security to all Kenyans. This will be done by expanding irrigation schemes, supporting large scale production of food crops, increasing access to agricultural inputs and promoting use of appropriate farming techniques.

**25.** Agriculture is the main economic activity in the county which includes crop production, livestock development and fisheries. During the first and second quarter of the FY2019/2020, the County Government through the department of agriculture undertook the following projects commenced namely; construction of grain stores, supply of certified crop seeds and purchase of tractors to offer support to agricultural mechanization services.

**26.** Under the livestock unit, animal breeding stock were purchased, dips construction commenced in Silaloni, construction of slaughter houses in Samburu and rehabilitation of the Kinango livestock market. For the fisheries unit, the county started implementation by rehabilitating landing sites in Majoreni and Mkunguni fish market with cold storage facilities.

**27.** The Agricultural sector in the county faces several challenges. Rains delayed for the better part of the year. The short rains which came in October caused floods throughout the country in general but specifically the county was hit by the adverse effects of the floods in different areas and as a result crops have been washed away in farms. There was famine in some areas in the county and this propelled the food security challenge. There is an imminent risk to food security which is evidenced in some regions in the country. The emergence of locusts which have wreaked havoc on crops and any other vegetation in the eastern part of the country is one of risks which the county government should prepare and control the further spread.

### **2.5.2 Manufacturing and industry sector**

**28.** The GDP from manufacturing in the country decreased by 4.6 percent from the 2<sup>nd</sup> to the 3<sup>rd</sup> quarter of 2019. Manufacturing is key in Kenya's economic development in both its contribution to national output and exports and for job creation. Actually, very few of the developed economies would speak of their economic success without attributing it, to a large extent, to manufacturing. According to the Economic Survey 2019, Kenya's economy grew by 6.3 percent in 2018 majorly driven by impressive growth in Agriculture, manufacturing and transport sectors. This was an improved performance compared to a growth of 4.7 percent in 2017, the least in 5 years. Manufacturing sector recorded a growth of 4.2 percent in 2018, which was an impressive rebound from a 0.5 per cent growth in 2017.

**29.** Under the Big Four Agenda, the National Government's goal is to increase the manufacturing sector's contribution to the Gross Domestic Product (GDP) to 15 per cent by 2022 (currently at 9.2 per cent), create jobs annually, increase foreign direct investment and improve ease of doing business. As such key targets and specific goals have been set to steer industrial growth e.g. development of special economic zones, industrial parks (leather industrial park and Naivasha industrial park) and cluster and niche products.

**30.** The county on the other hand has got huge growth potential for manufacturing that remains untapped but with the establishment of a special economic zone via the Dongo Kundu free port project, this potential stands to be unlocked as multiplier effects in terms of growth in other sectors is highly expected. This project will also harness opportunities for inter-county transport and trade, and is also a solution to congestion at Likoni ferry which is blamed for the slow growth of the south coast region.

**31.** Industrial growth in the county will be boosted by the Shimoni port development and planned opening up of steel manufacturing company in Shimoni. Already the Shimoni road has been completed and is expected to ease movement of people and goods. It will also encourage settlement of people and opening up of trade centers.

### **2.5.3 Construction and real estate sector**

**32.** In 2019, the real estate sector grew by 4.8 percent on average from Q1 to Q3 2019, 0.3 percent points higher than the growth rate recorded over the same period in 2018. The growth was supported by continued national government support for the affordable housing initiative, infrastructure improvement, boosting Nairobi's position as a regional hub, rapid population growth creating demand for more properties especially housing and also improving macroeconomic environment. The country's GDP grew by 6.3 percent in 2018, 1.4 percent higher than 4.9 percent in 2017 and is expected to grow to 5.6 percent in 2019.

**33.** The National government has scaled up investment in the road network by building more highways, urban roads and extending rural roads to previously unreached rural localities. This has opened up rural areas to economic activities, trade and commerce. In conjunction with various county governments, the National Government has increased its investment by constructing over 3500km of rural arteries roads in different parts of the country. The government increased budget allocation for 2019/2020 by 3.9 percent from the allocation for FY 2018/2019 in an effort aimed at transforming the country to a middle-income status by 2030 through infrastructural upgrades.

**34.** At the county level, it is the mandate of the department of roads and public works to provide efficient, affordable and reliable physical infrastructure for sustainable socio-economic growth through construction, modernization, rehabilitation and effective management of county

infrastructure facilities. Therefore, by the end of the 2<sup>nd</sup> quarter of FY 2019/2020, the department had already embarked on construction and rehabilitation of county access roads, opening up of new access roads and erection of floodlights in some trading centres. Unfortunately, these efforts were crippled by the onset of the short rains in October 2019 which caused floods throughout the country and Kwale County was not exceptional. Several roads were cut off and movement of people and goods was hampered including access to markets and health facilities. A good example is the road leading to Vanga which was cut off at Jego shopping center and there was no movement of people and goods necessitating emergency supplies of foodstuffs by the County Government to save lives. In addition latrines were sunk and several houses collapsed posing health hazards. As a long term solution, the residents of Vanga town suggested the construction of a modern drainage system that would control rainwater flows and hence reduce the effects of floods.

**35.** The county stands to reap benefits from the ongoing large infrastructural development in the coastal zone. There is the development of Dongo Special economic Zone which entails road construction and bypass from Tsunza to Shikaadabu area here in referred as Kibundani interchange. This is a massive project which is intended to stimulate growth in the area in terms of construction and real sector. Additionally easing movement of people and goods and boosting the tourism industry. Alongside this is the development of Tsunza Resort City.

#### **2.5.4 ICT Sector**

**36.** The World Bank has been hosting camps for Kenyan technology entrepreneurs aimed at nurturing startups in East Africa so as to create globally competitive growth-oriented mobile and digital technology business. Investment in the digital economy can drive economic growth and help narrow the rural urban development divide. By the end of the 2<sup>nd</sup> quarter, new World Bank economic update said more needs to be done to prepare citizens and businesses for the economy, society and future jobs. The ‘Silicon Savannah’ Kenya has seen its ICT sector grow an average of 10.8 percent annually since 2016, becoming the source of economic development and job creation with spillover effects in almost every sector of the economy. ‘Securing Future Growth’ notes that for Kenya to keep pace with technology, innovation and growth of the global digital economy, will require stronger digital foundations such as new regulations and policy guidelines designed to support the digital transformation.

**37.** Kwale county has an ICT road map, ‘The Kwale county ICT roadmap 2015-2020’, which aims at transforming the county into an ICT integrated county that embraces the value of ICT in service delivery, information sharing and development. Therefore, this roadmap focuses on four thematic areas; infrastructure and connectivity, public service delivery systems, human capital and workforce development, and the policy environment and legal framework. In view of this, the ICT department undertook several projects in the 1<sup>st</sup> and 2<sup>nd</sup> quarter of the FY 2019/2020 some of which are completed while others in progress; Installation of local area network, power backups, designing and installation of backbone fibre optic networks, supply and delivery of sisco switches, installation of LAN at headquarter, design of education service portal and construction of data recovery sites and many more.

#### **2.5.5 Tourism**

**38.** Travel and tourism supported 8.8 percent of the nation’s GDP in 2018 an increase from 3.7 percent in 2017. This sector has proven to drive economic growth, create jobs and boost social inclusion. In 2019 the hospitality sector registered improvement in performance evidenced by 0.2 percent increase in serviced apartments and rental yield to 7.6 percent from 7.4 percent in 2018. The improvement in performance of rental yield was attributable to increased demand which triggered an increase in charge rates. The improved performance was also supported by a stable political environment and improved security making the country an ideal destination for both business and holiday travelers.

**39.** The economy of the county received a major boost following the huge number of tourists that flocked in during the December -January holidays. The county has been voted the best beach destination consecutively for the last over 5 years. Several projects have been lined up to ensure tourists visit increase. Through partnership with the national government, the ongoing tarmacking of Samburu Kinango - Kwale road will enable tourists stay at the beach hotels as well as visit parks; the Tsavo national park, Shimba hills national reserve . Other tourist attraction ventures set to keep the county at the forefront are the Maji moto hot springs and Chale marine park. The county has also been supporting beach tour operators by erecting stalls along the access roads in public beaches and cabro paving of the access roads.

### **2.5.6 Mining**

**40.** Mining is a major economic activity and has great potential to stimulate growth in the county. Mineral resources are expected to be a major foreign exchange earner for the country. The Ministry of Mining envisages a greater contribution to the country's vision of achieving 10 percent GDP by the 2030. The exploitation of rare earth elements in Kwale County is expected to realize about USD 62.4 Million. This initiative is envisaged to place Kenya among the top world leaders in rare earth deposits.

**41.** The main mining company is Base Titanium which has operated in the County for more than three years. The main products include ilmenite, rutile and zircon. Recently it has initiated exploration in support of mine life extension and begun construction of the Kwale Phase 2 project. In 2018, the company posted a net profit of \$ 21 Million. The company has initiated local skills development and knowledge transfer, community engagement and development, sustainable development and livelihood improvement programmes. It has also participated in constructing social infrastructure, improving community health and providing educational opportunities. One of the popular programmes which has benefitted the county immensely is the Agricultural livelihood programme notably the cotton project which has enabled Kenya to export cotton to Bangladesh and other European countries. The other programmes include water supply, school sports programme, community groups training and drought relief.

**42.** Environmental conservation has been a key issue in the mining areas. The company has initiated programmes to ensure high standards of environmental management. The company has embarked on rehabilitating the impacted areas, improving the local biodiversity, recycling of products including wood, metal and plastics and also wetland restoration. The recycled products are used to construct furniture, water tanks, beehives and children's school knapsacks.

**43.** The greatest benefit to the citizens of Kwale will be the effective implementation of the Mining Act 2016 and the local content policy the country has developed. The county expects to benefit from the broad based economic development through linkages and spill-overs. Local content framework will benefit businesses and the population in the locality where mining is undertaken. This is because the sourcing of raw materials and support services like transportation

shall prioritize local supply over foreign supply. In addition, there is likelihood of gain in terms of employment to the locals in that the foreign investor cannot hire a foreigner unless there is deficient in local talent. The success of the local content strategy will be determined by the degree to which foreign investors in the mining sector will buy inputs and services locally.

## **2.6 Fiscal Performance in FY 2019/2020 and Emerging Challenges**

### **2.6.1 Overview**

**44.** The fiscal performance for the FY 2019/2020 was sufficiently good, although there were shortcomings in revenue collection especially in the first two quarters caused by delays in disbursement of funds from the National Exchequer. The first disbursement amounting to **Ksh. 389,295, 000** was received on 19<sup>th</sup> September 2019, just few days before the quarter ended.

### **2.6.2 County Revenue Performance**

**45.** The county government of Kwale received total cumulative revenue of **Ksh 2,854,516,212** during the first half of the financial year 2019/2020. This was total cumulative revenue from both the National Government remittances and the County own revenue comprising of **Ksh. 2,756,208,600** and **Ksh 98,307,612** consecutively. There was a significant growth of 11.53 per cent compared to **Ksh. 2,559,452,860.80** received during the same period in FY 2018/2019.

**46.** The National government remittance improved by 11.87 per cent as compared to **Kshs.2, 463,767,120.80** received during the same period in FY2018/2019. The county own revenue also improved slightly by 2.74 per cent to **Kshs.98,307,612** against **Kshs.95,685,740.00** collected during the same period in the previous financial year. Although the county own revenue collection improved significantly in the half year period of the FY2019/2020, it is still below target at 30.25 per cent 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.

County Fiscal Strategy Paper 2020

**Table 5: County Revenue Performance half year period 2018/2019 Vs. half year period 2019/2020**

<b>Revenue Source</b>	<b>As at 31.12.2018</b>	<b>Target 2018/2019</b>	<b>As at 31.12.2019</b>	<b>Target 2019/2020</b>
Receipts from Administrative fees and charges	1,105,102.00	2,188,146.00	204,500.00	300,000.00
Land rates	10,337,597.00	50,176,080.00	7,994,604.00	53,461,248.00
Business permits	7,490,311.00	62,506,661.65	2,932,992.00	66,888,950.00
Cess	2,446,408.00	7,950,429.70	3,439,623.00	12,103,401.00
Plot rents	1,415,273.00	2,400,000.00	2,020,493.00	4,148,735.00
Administrative service fees	424,490.00	2,797,478.25	304,320.00	2,955,285.00
Various fees	507,245.00	292,450.00	42,500.00	-
Councils Natural Resources Exploitation	9,605,109.00	20,218,734.00	10,106,304.00	18,970,388.00
Lease/Rental of infrastructure assets	650,000.00	1,124,325.00	532,600.00	1,345,478.00
Other miscellaneous revenues	184,350.00	305,000.00	67,500.00	193,820.00
Market /trade centre fees	6,005,454.00	5,507,548.40	2,419,316.00	5,131,137.00
Auction fees	0.00	8,024,000.00	3,538,795.00	7,248,568.00
Vehicle parking fees	6,685,789.00	15,691,268.00	7,870,382.00	16,498,419.00
Housing	1,030,296.00	2,527,200.00	963,250.00	2,347,200.00
Public Health Service fees	1,138,402.00	7,300,290.00	685,120.00	9,194,497.00
Public Health facilities operations	38,785,579.00	98,910,000.00	44,124,680.00	106,532,667.00
Slaughter house fees	334,732.00	658,512.55	282,532.00	481,801.00
Technical fees	7,539,603.00	14,534,181.45	10,778,101.00	17,198,406.00
<b>Own Source (Local ) Revenue</b>	<b>95,685,740.00</b>	<b>303,112,305.00</b>	<b>98,307,612.00</b>	<b>325,000,000.00</b>
Exchequer Releases	2,463,767,120.80	8,800,144,121.00	2,892,524,558.90	8,895,842,555.00
<b>Total Revenue</b>	<b>2,559,452,860.80</b>	<b>9,103,256,426.00</b>	<b>2,990,832,170.90</b>	<b>9,220,842,555.00</b>

*Source: Kwale County Treasury*



### 2.6.3 County Expenditure Performance

47. During the half year period ending 31<sup>st</sup> December, 2019, the County Government had spent a total of **Kshs. 2,799,423,621** against an annual approved budget of **Kshs.13, 108,939,275.00** representing an absorption capacity of 21.36 percent. The actual recurrent and development expenditures stood at Kshs. **1,691,831,357** and Kshs. **1,107,592,264** representing absorption rates of **32.02** percent and **28.13** percent respectively.

**Table 6: Expenditure Performance for half year period FY 2018/2019 Vs. FY 2019/2020**

<b>Department</b>	<b>Actual Expenditure as at 31.12.2018</b>	<b>Budget Allocation 2018/2019</b>	<b>Actual Expenditure as at 31.12.2019</b>	<b>Budget Allocation 2019/2020</b>
FINANCE AND ECONOMIC PLANNING	109,631,379.00	454,800,335.00	157,888,660	457,511,168.00
AGRICULTURE, LIVESTOCK AND FISHERIES	42,651,669.00	505,155,525.00	258,015,242	595,946,210.00
ENVIRONMENT AND NATURAL RESOURCES	43,169,283.00	219,394,010.00	25,271,314	250,237,887.00
HEALTH SERVICES	721,892,916.00	2,541,786,800.00	392,202,386	2,501,998,638.00
COUNTY ASSEMBLY	311,926,182.00	659,534,853.00	393,056,061	782,345,444.00
TRADE, INVESTMENT AND COOPERATIVES DEVELOPMENT	29,222,628.00	127,133,133.00	68,724,172	260,895,268.00
SOCIAL SERVICES AND TALENT MANAGEMENT	66,108,304.00	294,808,946.00	72,264,251	362,167,274.00
COUNTY EXECUTIVE SERVICES	42,414,198.00	256,253,243.00	59,038,141	211,134,164.00
EDUCATION	366,459,362.00	1,335,705,016.00	587,110,237	1,473,260,706.00
WATER SERVICES	234,187,403.00	1,202,930,870.00	295,275,053	923,397,371.00
ROADS AND PUBLIC WORKS	235,149,954.00	901,880,009.00	235,713,326	753,252,781.00
TOURISM AND ICT	55,822,264.00	203,076,965.00	19,906,825	138,770,324.00
COUNTY PUBLIC SERVICE BOARD	11,623,735.00	45,608,357.00	7,971,943	47,519,471.00
PUBLIC SERVICE AND ADMINISTRATION	67,014,210.00	355,178,363.00	226,986,010	462,405,849.00
<b>TOTAL</b>	<b>2,337,273,487.00</b>	<b>9,103,246,425.00</b>	<b>2,799,423,621.00</b>	<b>9,220,842,555.00</b>

*Source: Kwale County Treasury*

## CHAPTER THREE: STRATEGIES TO UNLOCK THE COUNTY'S ECONOMIC GROWTH POTENTIAL

### 3.1 Preamble

**48.** The County Fiscal Strategy Paper (CFSP) 2020 seeks to reaffirm the County Government's commitment towards the realization of the county economic transformation agenda. This development agenda is well articulated in the recent approved County Annual Development Plan (CADP) for the financial year 2020/2021, County Integrated Development Plan (CIDP 2018 – 2022) and the Governor's Manifesto. Others are the Kenya Vision 2030, the Third Medium Term Plan (MPT III), the "Big Four Agenda" and the Sustainable Development Goals (SDGs).

**49.** The County Government will continue investing resources in the implementation of the strategic programmes identified in the five main strategic areas namely; (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, and (v)strengthening land tenure systems, sustainable management of the environment and natural resources for improved livelihood. Further, the County Government seeks to align and put emphasis on the implementation of the "Big Four" Plan on i) Supporting value addition and raising the share of manufacturing sector to GDP, ii) Enhancing food and nutrition security to all Kenyans by 2022, iii) Providing universal health coverage to guarantee quality and affordable healthcare to all Kenyans, and iv) Provision of affordable and decent housing for all Kenyans.

**50.** The enablers for the "Big Four" Plan are i) Creation of a conducive business environment for investment, trade and job creation, ii) Investing in infrastructure development to unlock growth potential and drive the "Big Four" plan, iii) Investing in sectoral transformation for broad based sustainable economic growth, iv) Enhancing service delivery through devolution, v) Investing in Kenyans for a shared prosperity, and vi) Entrenching structural reforms to support the "Big Four" plan.

**51.** This 2020 CFSP has been aligned to the National Government’s Budget Policy Statement (BPS), the “Big Four” Plan and the Third Medium Term Plan (MTP III) of the Kenya Vision 2030 by supporting the implementation of key programmes and projects by the National Government at the county level. More specifically, the County Government will continue to invest on creating a friendly business environment for investors and entrepreneurs to reap the benefits from the implementation of Kenya Vision 2030 projects which include the development of the Shimoni port, tarmacking of the Samburu – Kinango – Kwale road, expansion of the Ukunda Airstrip and the construction of the Dongo – Kundu bypass. Upon completion, these projects will contribute to economic transformation, job creation and empower small businesses and entrepreneurs and improve the socio – economic development of the citizens.

**52.** This being the third CFSP of the second County Integrated Development Plan (CIDP 2018 – 2022), the County Government has made great strides in the implementation of the strategic interventions under the plan which have contributed immensely to stimulating the economy and improving the lives of citizens. Building on these gains, the county government will strengthen implementation of programmes that will spur economic transformation and pursue measures that avail liquidity to traders and investors. The expenditure priorities in this CFSP have been critically reviewed to ensure that they are in accordance to the County Government’s strategic priorities as contained in the CIDP. Consequently, budget allocations have been premised on the sustainability, affordability and the degree to which the programme contribute towards good governance practices, prudent management of resources and enhanced transparency and accountability.

### **3.2 Strategies to Enhance County Transformation for Inclusive Growth and Shared Prosperity**

**53.** This 2020 CFSP seeks to reaffirm the economic transformation agenda as espoused in the recent approved County Annual Development Plan (CADP) for the period FY2020/2021. This development plan, which was prepared through a consultative process highlights the development needs and aspirations of the Kwale citizens. Thus, the actualization of policies and programmes under each thematic area is expected to accelerate and sustain inclusive growth, create opportunities for decent jobs, reduce poverty and income inequality.

#### **3.2.1 Increased Crop Productivity, Livestock Production and Fisheries for Food and Nutrition Security**



Farm mechanization is still a priority in Kwale County: County tractor at work

**54.** To ensure food and nutrition security, the county government intends to build on the gains made in promoting agricultural productivity and nutrition. To boost crop production, the county



government seeks to rehabilitate and expand existing irrigation schemes such as Nyalani irrigation scheme to reduce over – reliance on rain – fed agriculture and improve productivity. The county government will continue to allocate resources towards distribution of certified seedlings, agricultural research and training by investing on the Agricultural Training Centre (ATC) in Mkongani and supporting agricultural extension services. Other measures are promotion of cash crop production such as coconut and cashew nut, support to seaweed farming to boost on farmers’ incomes and pest control through provision of pesticides to farmers.



County Government officials distributing seedlings to farmers

**55.** On livestock production, the county government is committed to improving the livestock breeding stock through provision of improved animal breeds to farmers. This will greatly contribute towards the National Government’s establishment of Disease Free Zones with the

objective of promoting Kenyan meat, hides and skins to meet international marketing standards. Specific strategies to be adopted by the County Government to boost livestock production include construction of a livestock market in Samburu, construction of a slaughter house in Tsimba Golini and disease control through provision of pesticides and construction/rehabilitation of operational cattle dips. Measures to support bee keeping and honey production by investing in apiaries will also be given priority.



Distribution of meat goat and dairy goat breeds to livestock farmers by H.E Governor

**56.** The blue economy holds great potential for County’s economy as well as the livelihoods of the Kwale citizens in contributing to poverty eradication by creating sustainable livelihoods and decent work and provision of food and nutrition dietary benefits. To this end, the county government will continue to invest in the provision of assorted fishing accessories and training to



fishermen to build their capacity and technology know how to tap into this resource. Other measures to improve production include construction and rehabilitation of landing sites such as Jimbo and the construction of post – harvest technologies such as the Shimoni landing site ice – plant.

**57.** The agriculture sector, in collaboration with other state and non – state agencies is working towards building the capacity of various value chains to boost horticultural farming. The county government, through the Agricultural Sector Development Support Programme (ASDSP) and the National Agriculture and Rural Inclusive Growth Project (NARIGP) will continue to invest in the development of value chains, fruit collection centres and marketing. Value chains being supported are passion and citrus.



Coconut growing in Kwale County. Coconut is one of the cash crops which the County Government will promote through issuing of quality hybrid seedlings and offer extension services

### **3.2.2 Enhancing the Standard and Quality of Education**

**58.** Education is one of the main drivers of the socio economic transformation agenda. It plays a crucial role in securing economic and social progress and improving income distribution. To this end, the County Government is committed to investing in the human capital by investing resources to enhance infrastructural development and access to quality education.

**59.** Under the Early Childhood Development Education (ECDE), the county will strive to create a conducive learning environment by constructing and equipping modern ECDE centres. This will include provision of modern teaching materials, arts and play equipment and employment of the ECDE teachers/caregivers. Deliberate measures shall be undertaken to ensure retention and 100 percent transition to primary education. Such measures include the construction of ECDE centres to reduce the distance to the nearest centre and the school feeding programme.



School feeding programme to our children will continue to be a priority to ensure 100 percent retention in our ECDE Centres.





The County Government will continue the provision of Arts and play equipment for our children in ECDE centres

**60.** The County Government of Kwale will prioritize teachers training to ensure there is an adequate skilled resource base for Early Childhood Development and Education. In this regard, the County Government has started the construction of a teachers training college in Puma ward, Kinango subcounty. The phase two of the project will receive adequate funding in the upcoming budget for MTEF 2020/2021 to 2022/2023 to guarantee its completion.



Work is ongoing for phase 1 of the ECDE training college in Puma, Kinango sub county.

**61.** The quality and relevance of the Vocational Training Centres (VTCs) will continue to be reviewed from time to time to better equip the youth in line with 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 enhance human resource development by creating skilled manpower, enhancing industrial productivity and improving the quality of life.

**62.** The County Government will continue implementing the scholarship and bursary scheme to all deserving students. This will go a long way in improving education standards by enhancing

access and retention rates to secondary and tertiary education. However, the scheme will be supervised to ensure the intended results are achieved.



H.E Governor and His Deputy handing over bursary cheques for students joining Form One in Kinango

### 3.2.3 Enhancing the Quality and Accessibility of Healthcare Services

**63.** Provision of 100 percent Universal Health Coverage (UHC) is part of the National Government’s “Big Four” Plan. This will guarantee access to quality and affordable healthcare to all Kenyans. To this end, the county will seek to complement efforts towards UHC through construction and expansion of health infrastructure, enhancing supply of essential medicines and recruitment of specialized health personnel. Other areas are establishment and equipping of laboratories for diagnosis of medical conditions in all health facilities and staffing to ensure efficient provision of healthcare services.





Official launch of Kalalani dispensary by H.E Governor and His Deputy

**64.** Going forward, the County Government will strive to establish an oncology centre to facilitate specialized diagnosis and treatment of cancer. Cancer is the third leading cause of death in Kenya after infectious and cardiovascular diseases with an estimated 33,000 Kenyans dying of cancer or cancer-related ailments annually. Therefore, the establishment of the oncology center will go a long way in the management of the disease.



Modern cancer machine



Modern cancer room which the envisages to put up at the Kwale Sub County Hospital

**65.** On maternal and child health services, the county government in collaboration with the National Government will continue to implement the free maternity programme in all our dispensaries. The county will also continue the establishment and equipping of maternity wings, support to the Community Health Volunteers (CHVs) at the grassroots level as well as hiring of skilled health personnel in our dispensaries.

**66.** To further support modernization of health care services, the County Government will continue to use e-health care systems in the provision of healthcare services. In particular, the county government will continue the digitization of service delivery through 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.



The newly acquired X-Ray machine at the Kwale Sub county Hospital

### **3.2.4 Investing in Infrastructure Development for Enhanced County Transformation**

**67.** Infrastructure development contributes enormously towards the County’s transformation agenda as well as laying the ground for the “Big Four” Plan. For this reason, the County Government has continued to scale – up on a network of county access roads, water supply systems and ICT infrastructure, to enable the citizens enjoy the benefits of expanded infrastructure facilities.



### 3.2.4.1 Expansion of the Road Network

**68.** The county has scaled up investment in the road network by opening up and maintaining more county access roads to previously unreached rural areas within the county. This is intended to open up rural areas to economic activity, trade and commerce thereby improving the living standards of citizens. The County Government has considered expansion of the road network a top priority as espoused in the recently approved CADP FY2020/21.



Cabro laying of the Pungu Slaughter house access road

**69.** Additionally, the county government is focussing on developing and upgrading key roads to bitumen standards to improve on county connectivity. These roads are Kona Ya Musa – Mabokoni – Kona Ya Masai road and Mkilo – Kalalani – Luweni road. Initiatives by the National Government meant to benefit the county connectivity include the development of the free port under the Dongo Kundu Special Economic Zone (SEZ), completion of the tarmacking



of Samburu – Kinango – Kwale road, the development of Shimoni port and the expansion of the Ukunda airstrip.

#### **3.2.4.2 Enhancing Access to Affordable and Reliable Energy**

**70.** Access to stable, reliable and affordable energy supply is directly linked to all aspects of socio – economic growth, hence critical for uplifting the welfare of citizens. Therefore, the County Government in collaboration with the National Government will prioritize efficient production, transmission and distribution of affordable, clean and reliable energy to all citizens. In this regard, the County Government will continue to strengthen its relationship with the National Government as it seeks to connect more citizens to the national grid through the implementation of the Fourth Phase of the Last Mile Project and the construction of additional electricity substations, transmission lines and distribution of transformers to boost the availability of electricity and to meet the growing demand for energy.

**71.** To further promote the ease of doing business at the county level, the County Government will continue investing resources in the construction and installation of floodlights and streetlights in major urban centres and towns. In the coming financial period, the county has prioritised installation of street lights along Blue Jay – Kongo Mosque road, Ibiza and Shirazi in Gombato/ Bongwe, Ukunda, and Ramisi wards respectively among other areas. Installation of floodlights has been earmarked to be carried out at Kivuleni and Mwangwei in Pongwe Kikoneni Ward.

#### **3.2.4.3 Strengthening Water Infrastructure to Enhance Supply**

**72.** The County Government remains committed to ensuring access to water and sanitation for all. This calls for deliberate measures to improve the supply of clean and adequate water for domestic, livestock and industrial use. To realize this, the county has prioritized development of water infrastructure as one of the main strategic area in the realization of the county transformation agenda.



Kumbulu water pipeline project in Makongeni- Waa-Ng'ombeni ward

**73.** Among the initiatives undertaken by the county include the construction of medium sized dams such as Mwakalanga dam, construction of water supply pipelines and drilling and equipping of boreholes. In addition, the county government took over the management of the Kwale Water and Sewerage Company (KWAWASCO) in order to streamline service delivery to the citizens. Other initiatives include conservation of sub – catchment areas, promotion of rain water harvesting in public amenities such as ECDE centres among others.



The water dam in Mwakalanga, Mwereni ward

**74.** Moving forward, the county government in partnership with the National Government will seek to expand the existing water infrastructure to enhance the supply of clean and adequate water to residents. The construction of the Mwache Multipurpose dam project once complete will address the perennial water shortage and provide water for domestic, irrigation and livestock use. In addition, Ukunda town is set to benefit from KES 400 Million Decentralized Treatment Facility (DTF) which will serve residents in the area. The construction and expansion of water supply pipelines, dams and water pans and drilling and equipping of boreholes will also be of priority.





Official launch of Dokata Water project by H.E Governor and his Deputy

#### **3.2.4.4 Enhancing the Use of Information Communication and Technology (ICT)**

**75.** Information, Communication and Technology (ICT) forms the backbone of today's digital economy and has a strong potential to accelerate economic growth and improve the lives of citizens in fundamental ways. The county government will continue to invest in ICT to boost digital infrastructure and enhance access to broadband connectivity amongst offices to improve efficiency in service delivery. To this end, the county has undertaken installation of Wide Area Network (WAN) and Local Area Network (LAN) in administration offices and hospitals and full implementation of e – procurement and the IFMIS modules.

**76.** Going forward, building on the gains made the county will invest in installation of full – back – up system at the Mvindeneni recovery site, expansion of county telephone system and development of a mobile application system. These measures are meant to improve service

delivery to the citizens through digitization of services such as payment of parking fees among others. Further, the Own Source Revenue administration will be automated to enhance efficiency and improve on collection.

### **3.2.5 Stimulating Tourism Recovery, Trade and Investment**

77. Tourism, Trade and Investment sub – sectors contribute immensely to economic development through boosting job creation and generating foreign exchange. With this realization, concerted efforts have been geared towards promoting Kwale as a preferred tourist destination, making Kwale secure and attractive destination for trade and investments critical for a strong and sustaining growth and poverty reduction.

78. Great strides have been made to support these sub – sectors. The County Government will continue to invest in tourism promotion and provision of an enabling environment such as rehabilitation of beach access roads, installation of street lights and support to eco – tourism through the construction of an eco – lodge facility at Majimoto in Dzombo ward.

79. The National Government is committed to implementing business regulatory reforms aimed at removing red – tape issues thereby reducing cost of doing business while enhancing service delivery to the public. The County Government, in turn has improved traders’ access to credit facilities through the Trade Revolving Fund (TRF) and the provision of requisite infrastructure for trade through construction of markets and creation of market linkages. These measures have seen the country’s ease of doing business ranking improving to position 56 in 2019 from position 61 in 2018 and position 80 in 2017. Further to promote trade and investments, the county government will fast track the construction of the Kombani modern wholesale market and the fruit processing plant in Waa – Ng’ombeni and Kubo South wards respectively. This move will provide a ready market for the county agricultural produce thereby improving the living standards of our people.



Work is on-going for the construction of the Kombani fresh produce market





Envisioned fresh juice production and fruits collection centre for Kwale County to be constructed in Shimba Hills Kubo South

### **3.2.6 Promotion of Sports, Arts and Culture**

**80.** The County Government remains committed to sports, arts and culture development as an avenue for creating jobs and inclusive growth. It is for this reason that the county has continued to invest resources in sports promotion through rehabilitation of sport fields and participating in sports competitions, identification and nurturing of talents and organizing cultural competitions. Moving forward, the county government will continue to prioritize creation of an enabling environment for the development of sports, arts and culture initiatives as a way of making it a source of livelihood to the Youths, Women and PWDs.



A panoramic view of the envisioned Kwale county modern stadium in Kwale town

**81.** The county government will fast track the construction of the county stadium and the rehabilitation of various ward sport fields. This coupled with initiatives towards identification and nurturing of talents and promotion of culture will enable the youth engage in meaningful, sports and recreational activities while at the same time improving their productivity. Focus will be directed towards development of other sports disciplines such as martial arts to enhance inclusivity.





Handing over of sports equipment in Kumbulu Mwavumbo ward by H.E Governor and his Deputy

**82.** To enhance participation of the youth, women and PWD in economic activities, the county government will undertake an empowerment program across the county to sensitize them on various issues including Access to Government Procurement Opportunities (AGPO), the Youth, Women and PWD (YOWPWD) Fund and youth, women and PWD mainstreaming. In addition, the county will seek to establish a rescue centre in Kinango in an attempt to address Gender Based Violence issues within the society. Construction of social halls, public libraries and public toilets will also be given priority.



Public library in Kinango constructed and equipped by the County Government

### **3.2.7 Promoting Environmental Conservation and Sustainable Management of Land and Other Natural Resources**

**83.** A clean and healthy environment is paramount for sustainable economic development. With this realization, the county government is committed to enhancing environmental sustainability through development of policies and programmes touching on conservation and management of forests, afforestation, conservation of catchment areas, management of water resources and climate change. The County Government will embrace The Green Economy Strategy and Implementation Plan (GESIP) 2016 – 2030 of the National Government to ensure a resource efficient, low carbon and inclusive green economy.

**84.** To combat the effects of climate change and environmental degradation, the county government will promote rain water harvesting at household and institutional level, strengthen building plan approvals and enforce standards, rehabilitate quarries and encourage use of energy saving jikos. Other initiatives to be undertaken include preparation of a Kwale county land and environment management policy, preparation of a storm water drainage system plan and carrying out environmental audits for ongoing projects. On solid waste management, the county will seek to secure the Kinondo dumping site in Kinondo ward by constructing a perimeter wall fence to enhance proper waste disposal.

**85.** To realize rapid economic development, sustainable management and utilization of land is critical. To this end, the County Government has made great progress in securing land tenure and access to title deeds. Adjudication and subdivision of land under group ranches has been undertaken in Mwavumbo, Mwereni and Kuranze group ranches. The county will fast track the process of adjudication and settlement of community lands in Vigurungani, Busa, Kibandaongo and Chengoni sections in Puma, Kinango and Samburu Chengoni wards respectively.

**86.** To facilitate proper physical developments within our towns, the County Government, with the support of the conditional grant on Kenya Urban Support Programme will ensure the completion of the county spatial plan and urban development plans for the two municipalities of Ukunda/Diani and Kwale. Other towns prioritized for town planning are Msambweni, Mtaa, Mazola, Kinango trading centre and Samburu trading centre.



Planning of Kanana local centre in Pongwe-Kikoneni ward, Lungalunga subcounty-  
Reconnaissance survey map



### **3.2.8 Strengthening Governance, Transparency and Accountability in the County**

**87.** The County Government is committed to adherence to the principles of public finance, including openness, accountability and public participation. In this regard, tremendous progress has been made towards promoting good governance, transparency and accountability in service delivery. Some of the interventions implemented include development of a functional county website, creation of a civic education unit under the department of Social Services and Talent Management, public participation in the formulation of county policies and legislations and adoption of e – procurement.



The newly constructed county headquarters in Kwale town

**88.** Prudent management of the available public resources is critical in realization of the county transformation agenda. In this regard, the county government will continue to implement expenditure control measures to enhance effectiveness and efficiency in service delivery. Priority

will be given to programmes and projects that contribute to the county transformation agenda, while non – core ones dropped. Going forward, the County Government will seek to strengthen the framework on public participation to enhance project identification, planning, budgeting and implementation right from the grassroots level coming upwards. Project Management Committees will be sensitized to enhance their capacity in Project Monitoring and Evaluation (PM&E) with view to have value for money in programme and project implementation.



Public participation meeting in progress at the Maendeleo Ya Wanawake Hall in Kinango

**89.** In addition, the county governments will fast track the approval of the County Monitoring and Evaluation policy, currently at the county executive committee. The policy will provide a framework on tracking results on county policies, programmes and projects. Through the World Bank conditional grant on Kenya Devolution Support Program, the county government initiated a citizens’ Grievance Redressal Mechanism (GRM) to provide feedback on service delivery to

the citizens. The county government will continue strengthening the GRM mechanism by making it citizen/ customer friendly and accessible means of addressing citizen's grievances.

**90.** The County Government is in the process of preparing a County Medium Term Debt Management Strategy (MTDMS) in line with the provisions of section 123 of the Public Finance Management Act, (PFMA) 2012. The principal objective of the Kwale County DMS is to meet the County Government's financing requirements at the least cost with a prudent degree of risk. This is an important step towards enhancing transparency of the County Government's debt management decisions. The strategy incorporates initiatives to seek new funding sources, support the County Government strategic priorities and the transformation agenda to reduce poverty and achieve debt sustainability.

## CHAPTER FOUR: MEDIUM TERM OUTLOOK AND RISKS TO THE OUTLOOK

### 4.1 Overview

**91.** In the international scene, overall growth is envisaged to grow to 2.5 percent in 2020, a slight increase from 2.4 percent in 2019. Economies in the sub-Saharan region are expected to grow by about 3.6 percent up from 3.2 percent in 2019. Performance of Kenya’s economy looks less optimistic in 2019 on account of a number of factors. The 2019 long rains have delayed and weather forecast indicates that most parts of the country will experience depressed rainfall, while a number of others may record almost long rains failure.

#### 4.1.1 Global Outlook

**92.** Global growth is expected to recover to 2.5 percent in 2020—up slightly from the post-crisis low of 2.4 percent registered last year amid weakening trade and investment—and edge up further over the forecast horizon. This projected recovery could be stronger if recent policy actions—particularly those that have mitigated trade tensions—lead to a sustained reduction in policy uncertainty.

**93.** Nevertheless, downside risks predominate, including the possibility of a re-escalation of global trade tensions, sharp downturns in major economies, and financial disruptions in emerging market and developing economies (EMDEs). The materialization of these risks would test the ability of policymakers to respond effectively to negative events. Associated policy challenges are compounded by high debt levels and subdued productivity growth. Many EMDEs need to rebuild macroeconomic policy space to enhance resilience to possible adverse developments. They also need to pursue decisive reforms to bolster governance and business climates, improve tax policy, promote trade integration, and rekindle productivity growth, while protecting vulnerable groups. These policy actions would help foster inclusive and sustainable long-term growth and poverty alleviation.

#### **4.1.2 Regional Outlook**

**94.** The growth in sub-Saharan Africa is projected to rise to 3.6 percent in 2020 from 3.2 percent in 2019, according to the 2019 Regional Economic Outlook of the International Monetary Fund (IMF). The IMF report indicates that growth is forecasted to be slower than previously envisaged for about two-thirds of the countries in the region. Inflation is expected to ease going forward. While the average sub-Saharan African-wide debt burden is stabilizing, elevated public debt vulnerabilities and low external buffers will continue to limit policy space in several countries.

**95.** The outlook faces further downside risks. External headwinds have intensified compared to April and include the threat of rising protectionism, a sharp increase in risk premiums or reversal in capital inflows owing to tightening global financial conditions, a faster-than-anticipated slowdown in China and in the euro area. Regionally, near-term downside risks include climate shocks, intensification of security challenges, and the potential spread of the Ebola outbreak beyond the DR Congo, the report says, adding fiscal slippages, including those ahead of elections in some countries, and a lack of reform in key countries could add to deficit and debt pressures.

#### **4.1.3 Kenya's Economic Outlook**

**96.** The economy lost traction in the third quarter of 2019, expanding at the slowest rate in two years on the back of a broad-based slowdown across the major sectors. In particular, growth of the all-important agricultural sector which accounts for about a quarter of the country's total output, slowed to a near two-year low amid a drop in the production of key crops. Turning to Q4, available data suggests continued weakened momentum: The PMI deteriorated somewhat in Q4 compared to Q3 amid heavy rainfall which disrupted firms' delivery times. Economic Growth is expected to quicken this year on the back of a pick-up in domestic demand. Upbeat household consumption is seen underpinning the expansion, while healthy government spending ought to further support growth.

**97.** Kenya's growth will be robust driven by revitalization of the agricultural sector, small and medium enterprises and growth in credit to the private sector following the repeal of the interest rates cap. In mid-January, President Uhuru announced a stimulus package for the economy that



targeted key agriculture sub-sectors like dairy, coffee and tea, which if implemented would expand the Kenya economy more significantly.

#### **4.1.4 County Macroeconomic Outlook**

**98.** The County Government (CG) will continue to pursue a fiscal policy which will be supportive of macroeconomic stability. Furthermore, our fiscal policy objective will provide support to ensure growth of economic activities while allowing for sustainable management of public finances. As such, the CG is committed to settling all the pending bills and other debts by and ensuring expenditure is strictly done depending on availability of funds.

**99.** The County Fiscal policy will continue to support County development economic activities as espoused in the second CIDP 2018-2022 within a context of sustainable public financing. Like in the previous three years, the County Government has been reorienting expenditure towards priority programmes in Health, Education, Roads and Water Infrastructure under the medium-term expenditure framework (MTEF). This process will be strengthened in the FY 2020/21 by encouraging more private-sector engagement to boost investment and unlock new economic opportunities.

**100.** With respect to revenue growth, the CG will intensify its effort in the next financial year 2020/2021 and over the medium term. Measures to raise revenues will include: upgrading of the county revenue automated system, construction of trailer park in Lungalunga, strengthening enforcement and compliance efforts, improvement and integration of hospital management systems with the revenue systems and expanding the income base by introducing new tax streams.

**101.** On the expenditure side, the CG will continue with rationalization of expenditure to improve efficiency and reduce wastage. Expenditure management will be strengthened with continued implementation of the Integrated Financial Management Information System (IFMIS) across departments. The county will continue reorienting expenditure towards those priority programmes as identified in public participation forums. The critical programmes to be implemented are expected to accelerate economic activities and socio-economic development across the county.

## **4.2 Risks to the Economic Outlook**

**102.** There are number of challenges which may affect the macroeconomic outlook in the international economies, regional, domestic and county economy.

### **4.2.1 International and Regional Risks**

**103.** Rising geopolitical tensions, notably between the United States and Iran, could disrupt global oil supply and weaken already tentative business investment. Moreover, intensifying social unrest across many countries—reflecting, in some cases, the erosion of trust in established institutions and lack of representation in governance structures—could disrupt activity, complicate reform efforts and weaken sentiment, dragging growth lower than projected. Where these pressures compound ongoing deep slowdowns, for example among stressed and underperforming emerging market economies, the anticipated pickup in global growth—driven almost entirely by the projected improvement for these economies—would fail to materialize.

**104.** Higher tariff barriers between the United States and its trading partners notably China, have hurt business and compounded cyclical and structural slowdowns in many economies over the past year. The disputes have extended to technology, imperiling global supply chains. The rationale for protectionist acts has expanded to include national security or currency grounds. Prospects for a durable resolution to trade and technology tensions remain elusive, despite sporadic favorable news on ongoing negotiations. Further deterioration in economic relations between the United States and its trading partners could undermine the nascent bottoming out of global manufacturing and trade, leading global growth to fall short of the baseline.

**105.** A materialization of any of these risks could trigger rapid shifts in financial reallocations toward safe assets, and rising rollover risks for vulnerable corporate and sovereign borrowers. A widespread tightening of financial conditions would expose the financial vulnerabilities that have built up over years of low interest rates and further curtail spending on machinery, equipment, and household durables. The resulting renewed weakness in manufacturing could eventually spread to services sectors and lead to a broader slowdown.

**106.** Weather-related disasters such as tropical storms, floods, heat waves, droughts, and wildfires have imposed severe humanitarian costs and livelihood loss across multiple regions in recent years. Climate change, the driver of the increased frequency and intensity of weather-related disasters, already endangers health and economic outcomes, and not only in the directly affected regions. It could pose challenges to other areas that may not yet feel the direct effects, including cross-border migration or financial stress (for instance, in the insurance sector). A continuation of the trends could inflict even bigger losses across more countries.

**107.** The recent outbreak of Corona virus that begun in Wuhan China and spread in all other provinces in china in 2020 has fuelled panic in to the world economy. China’s economic growth is expected to slip this year to 5.6 percent, down from 6.1 percent last year, according to a conservative forecast from Oxford Economics that is based on the impact of the virus so far. That would, in turn, reduce global economic growth for the year by 0.2 percent, to an annual rate of 2.3 percent — the slowest pace since the global financial crisis a decade ago.

#### **4.2.2 Domestic Risks**

**108.** The deadly **coronavirus**, which has prompted travel restrictions in and out of China is sending shockwaves throughout the Kenya economy. Kenya has vast business relations with China, with at least three flights landings at Jomo Kenyatta International Airport (JKIA), where the country’s national carrier, Kenya Airways, operates two non-stop flights daily between Nairobi and Guangzhou.

**109.** Kenya has recently experienced invasion by armies of desert locust threatening the country’s food security and, by extension, the Country’s economy. The pests have the potential of destroying swathes of maize, coffee, vegetable and tea plantations, and can knock down seasons of food, prompting acute hunger in the country. Any disruption in the agriculture sector, a major driver of Kenya’s economy that contributes up to Sh2.9 trillion, according to last year’s estimates, can substantially slow down growth. Control measures by the ministry of Agriculture involve the use of planes and vehicles to carry out survey and control operations and use of pesticides with as little negative impact on the environment as possible.

**110.** Performance of Kenya's economy looks less optimistic in 2019 on account of a number of factors. The 2019 long rains have delayed and weather forecast indicates that most parts of the country will experience depressed rainfall, while a number of others may record almost long rains failure. If this materializes, direct negative impacts will be felt within the activities of agriculture, electricity and water supply sectors. Further impacts could be experienced in industries that have strong interlinkages with these sectors.

**111.** A gradual increase in international oil prices in the course of the year is anticipated, especially if an agreement on production cuts by the Organization of the Petroleum Exporting Countries (OPEC) and their partners is implemented. There are prospects of production cuts being partly offset by an increase in shale output from the USA, as well as slowed demand emanating from effects of deterioration in global economic expansion. All in all, it is more probable that the international oil prices will rise and lead to higher domestic pump prices.

**112.** Inflation is likely to rise significantly, largely driven by increase in food prices as a result of constrained domestic production in 2019. This could worsen if the magnitude of the expected rise in fuel prices ends up being substantial. The Kenyan Shilling exchange rate against major trading currencies is expected to remain stable supported by diaspora remittances and a significant level of reserves.

#### **4.2.3 County Macroeconomic Outlook Risks**

**113.** The main challenges that continue to be experienced relate to delays in the release of funds from the National Treasury, bloated wage bill and huge pending bills some of which accrue huge interests, posing risk to the County economic outlook.

**114.** The high wage bill continues to be among the major challenges in the implementation of the fiscal strategy. Currently in the 2019/2020 financial year the personnel emoluments stand at 31.9

percent of the overall county budget. The recruitment of key essential staff and the frequent salary increment for various cadres of staff continues to increase the already bloated wage bill.

**115.** Non- timely disbursement of funds by the National Government continues to be another challenge as this could lead to delay in execution of planned activities of the County thus compromising service delivery.

**116.** Revenue shortfalls may also pose risk to our fiscal strategy and the outlook. When the Kenya Revenue Authority fails to hit their target, it causes stress to revenue allocation nationally. Additionally at the county level, when there are revenue collection shortfalls against the target, it may cause budget cuts. This becomes more challenging with the high wage bill. Systems are being put in place to improve local revenue performance following revenue collection reforms and rationalization in recurrent expenditure to realize savings which can be used to finance the spending priorities.

**117.** The other risks include challenges brought about by the effects of Climate change. Prolonged droughts and floods may necessitate emergency support from the county government. This in many instances have implied budget cuts in development funds to save lives and restore situations.

**118.**The Government will monitor the above risks and take appropriate measures to safeguard macroeconomic stability including preparation of supplementary budgets to regularize and align any emerging issues.

## CHAPTER FIVE: BUDGET FOR FY2020/2021 AND THE MEDIUM TERM

### 5.1 Introduction

**119.** The fiscal policy underpinning the FY 2020/21 budget framework will continue to be broad based by ensuring sustainability in the management of public funds. Prudent public expenditure will be the main financial objective while also ensuring transparency and accountability as per the Constitution 2010. Resources allocations will be guided by implementation of strategic priorities given in the County Integrated Development Plan 2018-2022 and the County Annual Development Plan FY 2020/2021. Expenditure by departments shall be carefully evaluated to ensure there will be value for money and that there is sustainability and cost effectiveness.

**120.** Going forward, the County Government will maintain a balanced budget in the FY 2020/2021. However, as the county grows and new development needs emerge which require substantial capital to undertake, the County Government will opt to seek funds in the domestic or international money market to bridge any financing gap. This as per the requirement of the law will not exceed 20 percent of the county government's revenues.

**121.** The fiscal policy will continue to be one of reorienting resources from non-priority areas to the key development priorities in line with the County Integrated Development Plan. Specifically, rigorous evaluation of one-off expenditure items will be curtailed and will be undertaken only in exceptional cases. Rationalization of expenditures will also be undertaken in all areas and expenditure of departments checked and any savings realized shall be channeled to our core development priorities.

**122.** The fiscal framework for the FY 2020/2021 budget is based on the recent developments and county's fiscal performance in chapter II, the policy goals and strategic priorities in Chapter III and the macro-economic outlook and risks set out in chapter IV.



## 5.2 The Fiscal Framework

**123.** Revenues for upcoming FY 2020/2021 are expected to rise. Based on previous forecasting of revenues, the county own source revenues will be increased by a maximum of 5 percent. The expenditure side will have to balance with the resources o that we done imply a budget deficit.

### 5.2.1 Revenue projections

**124.** In the FY 2020/2021, revenue collection including both conditional and unconditional grants and loans is projected at **Kshs. 9,206,476,136.00**. This represents **0.4** percent improvement from **Kshs. 9,169,469,393.00** in the current FY 2019/2020. The county expects to receive **Kshs. 7,690,760,000** in FY 2020/2021 as her equitable share of revenue from the national government, an increase of **0.85** percent from Kshs. **7,626,000,000.00** received during the current FY 2019/2021 period. The county own source of revenue is projected to rise to **Kshs. 334,181,316.00** in the FY 2020/2021 budget, up from Kshs. **325,000,000.00** targeted for the FY 2019/2020. The expected overall county revenue envelope is summarized in the table below:

**Table 7: Provisional County Revenue Envelope FY 2020/2021-2022/2023**

Source of Revenue	Allocations in Ksh			
	FY 2019/2020	FY 2020/2021	FY 2021/2022	FY 2022/2023
Equitable Share of Revenue from National Government	7,785,900,000.00	7,690,760,000.00	8,075,298,000.00	8,479,062,900.00
County Own Source Revenue	325,000,000.00	334,181,316.00	350,890,381.80	368,434,900.89
<b>SUB TOTAL</b>	<b>8,110,900,000.00</b>	<b>8,024,941,316.00</b>	<b>8,426,188,381.80</b>	<b>8,847,497,800.89</b>
<b>GRANTS</b>				
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	131,914,894.00	148,936,170.00	156,382,978.50	164,202,127.43
Road Maintenance Levy	221,007,938.00	228,285,028.00	239,699,279.40	251,684,243.37
Development of Youth Polytechnics	59,793,298.00	56,766,170.00	59,604,478.50	62,584,702.43
World Bank Grant on Kenya Devolution Support Programme	30,000,000.00	28,885,238.00	30,329,499.90	31,845,974.90
World Bank KUSP - Urban Development Grant	50,000,000.00	47,017,629.00	49,368,510.45	51,836,935.97
World Bank KUSP - Urban Institutional Grant	8,800,000.00	18,898,793.00	19,843,732.65	20,835,919.28
DANIDA Grant to Supplement Financing of County Health facilities	22,500,000.00	9,410,405.00	9,880,925.25	10,374,971.51
World Bank Grant for Universal Health Care Project	157,706,559.00	81,562,988.00	85,641,137.40	89,923,194.27
World Bank Loan for National Agricultural and Rural Inclusive Growth Project	350,000,000.00	112,068,746.00	117,672,184.35	123,555,793.57
EU Grant for Instrument for Devolution Advice and Support	44,360,883.00	40,594,370.00	42,624,088.50	44,755,292.93
Water and Sanitation Development Project (WSDP)	300,000,000.00	376,141,030.00	394,948,081.50	414,695,485.58
Agricultural Sector Development Support Programme-ASDSP	19,348,633.00	17,758,660.00	18,646,593.00	19,578,922.65
<b>SUBTOTAL</b>	<b>1,410,641,798.00</b>	<b>1,181,534,820.00</b>	<b>1,240,611,562.05</b>	<b>1,302,642,140.17</b>
<b>GRAND TOTAL</b>	<b>9,521,541,798.00</b>	<b>9,206,476,136.00</b>	<b>9,666,799,943.85</b>	<b>10,150,139,941.06</b>

### 5.2.2 Expenditure projections

**125.** The county expenditure is projected to be **Ksh 9,206,476,136** in FY 2020/2021 which is decline of about **Ksh.315, 065,662** against the estimated overall fiscal expenditure of **Ksh. 9,521,541,798** in FY 2019/2020. Development expenditure is expected to decrease to Kshs. **3.91Billion** from Kshs. **4.16Billion** in the current FY 2019/20, accounting for **42.5** percent of the total county expenditure. Recurrent expenditures is projected to increase to Kshs. **5.4Billion** up from Kshs **5.01Billion** in the current FY 2019/2020, which represents **57.5** percent of the county overall expenditure.

**126.** This 2020 CFSP proposes **Ksh. 3,086,549,645** to be allocated to fund personnel emoluments (P.E) and **Ksh.2, 210,721,917** for county operations and maintenance ( O & M). This implies that **33.9percent** and **23.6 percent** of the total county budget for FY 2020/2021 will be allocated to personnel emoluments and O & M respectively. The table below shows a scrutiny of the county expenditure projections for FY 2020/2021.

**Table 8: Expenditure projections for MTEF period FY 2020/2021-FY 2022/2023**

<b>Economic Classification</b>	<b>Expenditure Projections FY 2020/2021</b>	<b>Expenditure Projections FY 2021/2022</b>	<b>Expenditure Projections FY 2022/2023</b>
Recurrent Expenditure	5,297,271,562.00	5,429,703,351.05	5,435,133,054.40
Development Expenditure	3,909,204,574.00	4,006,934,688.35	4,010,941,623.04
Total	9,206,476,136.00	9,436,638,039.40	9,446,074,677.44
% Recurrent	57.5	57.5	57.5
% Development	42.5	42.5	42.5
Total Percentage	100.0	100.0	100.0

*Source: Kwale County Treasury*

### 5.3 FY 2020/21 and the Medium-Term Budget Priorities

**127.** The 2020 CFSP mirrors the strategic priorities and objectives of the second County Integrated Development Plan 2018-2022. The plan highlights 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). Further, this CFSP emphasizes on the continual implementation of the **flagship projects** to provide a conducive environment for faster growth and realization of the transformation agenda.

**128.** The county will develop a framework for a better quality service delivery based on strong links between resources, budgeting, monitoring and clear expectation for delivering planned outcomes. The county will strive to foster sustainability, affordability and strict prioritization under this strategy. To achieve this, the county will ensure; expenditure is directed towards the most prioritized projects, more outputs and outcomes are achieved with lower level of resources and the county department’s allocation and request for resources are realistic and take into account the constrained fiscal space.

**5.4 Budget Allocations for the FY 2020/2021 and the Medium term**

**129.** Based on the macroeconomic analysis, fiscal performance, fiscal policy and strategic intentions, the expenditure ceilings for the various county departments are summarized in the table below;

**Table 9: Provisional Expenditure Ceilings for the FY 2020/21 and their ranking**

CODE	DEPARTMENT	CEILING FY 2020/2021	PERCENTAGE	RANK
D3061	FINANCE AND ECONOMIC PLANNING	579,185,152	6.3	6
D3062	AGRICULTURE, LIVESTOCK AND FISHERIES	554,431,810	6.0	7
D3063	ENVIRONMENT AND NATURAL RESOURCES	315,627,986	3.4	10
D3064	HEALTH SERVICES	2,505,812,327	27.2	1
D3065	COUNTY ASSEMBLY	734,895,413	8.0	5
D3066	TRADE, INVESTMENT AND COOPERATIVES DEVELOPMENT	244,345,971	2.7	11
D3067	SOCIAL SERVICES AND TALENT MANAGEMENT	312,913,962	3.4	9
D3068	EXECUTIVE SERVICES	125,243,766	1.4	13
D3069	EDUCATION	1,576,603,424	17.1	2
D3070	WATER SERVICES	894,966,762	9.7	3
D3071	ROADS AND PUBLIC WORKS	787,399,350	8.6	4
D3072	TOURISM AND ICT	125,673,514	1.4	12
D3073	COUNTY PUBLIC SERVICE BOARD	45,846,187	0.5	14
D3074	PUBLIC SERVICE AND ADMINISTRATION	403,530,512	4.4	8
<b>GRAND TOTAL</b>		<b>9,206,476,136</b>	<b>100</b>	

*Source: Kwale County treasury*

### **5.5 Allocation Baseline Ceilings**

**130.** The baseline estimates show the current spending levels in county departments. In the recurrent expenditures, salary payments, statutory deductions, pensions/ gratuities and payment to creditors and suppliers of goods and services take first charge.

**131.** The county will commit itself to improving the implementation and the absorption capacity of capital projects. In this regard, development expenses in this strategy paper have been shared out on the basis of the flagship projects contained on the second CIDP 2018-2022 and the ADP 2020/2021 priorities. The following criterion was used in allocation of funds for development: -

- a) On-going projects: Priority was given to completion of the on-going capital projects with high impact on poverty reduction, equity and employment creation.
- b) Counterpart funding: Emphasis was given to efficient allocations for donor counterpart funds, which is the portion that the county must finance in support of the projects financed by donors.
- c) Strategic policy interventions: Further priority was given to policy interventions covering the entire county.

### **5.6 Criteria for Resource Allocation**

**132.** The fiscal policy framework contained in this CFSP 2020 proposes resources to be directed to county priority projects and programmes. Careful evaluation of expenditures will be undertaken to ensure this is achieved. There will be a close monitoring on expenditures by departments to minimize spending on non-productive sectors. Programmes and expenditures shall be prioritized to ensure that the county provides crucial services at a minimum cost, through elimination of duplication and wastage. Allocation of resources shall be guided by the following criteria: -

- i) Linkage of programmes to the second CIDP 2018-2022.
- ii) Linkage of programmes with the objectives of the governor's manifesto
- iii) Expected outputs and outcomes from a Programme
- iv) Extent at which the programme addresses the core functions of the department.
- v) Extent at which a programme will benefit the society through promotion of job creation and poverty reduction.



**133.** Sectoral plans will be analyzed and, in case additional resources become available in the process of consolidating the county resource envelope, the county will redirect them to inadequately funded priorities.

**5.7 Details of sector priorities**

**134.** In this 2020 CFSP, the medium term-budget framework for FY 2020/2021- 2022/2023 has factored in the need to ensure that county resource allocation is directed toward prioritized programmes in in the County Integrated Development Plan 2018-2022 which is to implemented by the County Annual Development Plans. Attention has also been given towards attainment of the objectives and strategic priorities under the Governor’s manifesto and the policy initiatives of the county to promote jobs creation, address inequality and achieve inclusive growth and economic prosperity. Table 10 below show the projected baseline ceilings for the FY 2020/2021 and the medium-term, classified by sector.

**Table 10: Medium Term Expenditure Framework for the period FY 2020/2021-2022/2023**

SECTOR		Estimates FY 2019/2020	Ceiling FY 2020/2021	PROJECTIONS	
				FY 2021/2022	FY 2022/2023
<b>AGRICULTURE, RURAL AND URBAN DEVELOPMENT</b>	<b>TOTAL</b>	<b>846,184,097.00</b>	<b>870,059,796.00</b>	<b>906,013,727.80</b>	<b>906,919,741.52</b>
Agriculture, Livestock and Fisheries	Sub Total	595,946,210.00	554,431,810.00	576,082,633.95	576,658,716.58
Environment and Natural Resources Management	Sub Total	250,237,887.00	315,627,986.00	329,931,093.85	330,261,024.94
<b>ENERGY &amp; INFRASTRUCTURE</b>	<b>TOTAL</b>	<b>753,252,781.00</b>	<b>787,399,350.00</b>	<b>814,276,359.00</b>	<b>815,090,635.36</b>
Roads and Public Works	Sub Total	753,252,781.00	787,399,350.00	814,276,359.00	815,090,635.36
<b>GENERAL ECONOMIC &amp; COMMERCIAL AFFAIRS</b>	<b>TOTAL</b>	<b>399,665,592.00</b>	<b>370,019,485.00</b>	<b>389,472,623.28</b>	<b>389,862,095.90</b>
Trade, Investment & Cooperatives Development	Sub Total	260,895,268.00	244,345,971.00	255,608,278.25	255,863,886.53
Tourism and ICT		138,770,324.00	125,673,514.00	133,864,345.03	133,998,209.37
<b>HEALTH SERVICES</b>	<b>TOTAL</b>	<b>2,501,998,638.00</b>	<b>2,505,812,327.00</b>	<b>2,622,557,135.18</b>	<b>2,625,179,692.31</b>
<b>EDUCATION</b>	<b>TOTAL</b>	<b>1,473,260,706.00</b>	<b>1,576,603,424.00</b>	<b>1,637,181,628.23</b>	<b>1,638,818,809.85</b>
<b>PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS</b>	<b>TOTAL</b>	<b>1,960,916,096.00</b>	<b>1,888,701,030.00</b>	<b>1,801,857,499.90</b>	<b>1,803,659,357.40</b>
County Assembly	Sub Total	782,345,444.00	734,895,413.00	753,267,798.33	754,021,066.12
County Executive Services	Sub Total	211,134,164.00	125,243,766.00	138,309,893.03	138,448,202.92
Public Service and Administration	Sub Total	462,405,849.00	403,530,512.00	446,976,540.85	447,423,517.39
Finance and Economic Planning	Sub Total	457,511,168.00	579,185,152.00	412,928,146.20	413,341,074.35
County Public Service Board	Sub Total	47,519,471.00	45,846,187.00	50,375,121.50	50,425,496.62
<b>SOCIAL SERVICES AND TALENT MANAGEMENT</b>	<b>TOTAL</b>	<b>362,167,274.00</b>	<b>312,913,962.00</b>	<b>341,831,784.60</b>	<b>342,173,616.38</b>
<b>WATER SERVICES</b>	<b>TOTAL</b>	<b>923,397,371.00</b>	<b>894,966,762.00</b>	<b>923,447,281.43</b>	<b>924,370,728.71</b>
<b>TOTAL</b>	<b>TOTAL</b>	<b>9,220,842,555.00</b>	<b>9,206,476,136.00</b>	<b>9,436,638,039.40</b>	<b>9,446,074,677.44</b>

*Source: Kwale County Treasury*

### 5.7.1 Agriculture, Rural and Urban Development sector

**135.** This sector comprises of the departments of Agriculture, Livestock and Fisheries and the department of Environment and Natural resources. Key objective of this sector is to ensure food and nutrition security, effective management of the environment and optimal use of land and utilization of the vast blue economy. The following were the main achievements realized by this sector in the previous FY 2018/19 budget: maize yield increased from 3 to 12 bags per acre as a result of distribution/ provision of agricultural inputs such as certified seedlings, 40 micro-irrigation groups were supported against through upscaling of irrigation. Vaccination crushes and cattle dips were constructed which lead to a decrease in vector-borne diseases incidences from 70 percent to 40 percent.

**136.** Key outcomes expected in MTEF period 2020/21-2022/23 include; improvement in food and income security at the county and household level through the county's effort to rehabilitate and upscale various micro irrigation schemes (Tsimba-Golini, Binge, Dzombo, Vanga, Kinango and Kasemeni wards), agricultural productivity will be improved through the provision of pesticides and spray pumps (fall armyworm) in all wards. Increased productivity of honey will be attained through establishment of apiaries (Mwavumbo, Mkongani and Tsimba-Golini wards) and provision of bee keeping equipment and accessories in 12 wards. To promote the productivity of fisheries and fish products in the county, the department will procure assorted fishing accessories and establish an ice plant in Shimoni landing site. The county will also support small-scale seaweed farmers in Pongwe/Kikoneni, Ramisi and Kinondo wards.

**137.** To undertake these programmes, the sector will require **Kshs. 870.1** million in the financial year 2020/2021. **Kshs. 622.5** million will be development purposes and **Kshs. 247.6 million** will be for recurrent purposes.

### **5.7.2 Energy and Infrastructure**

**138.** This sector is vital for county transformational agenda as it catalyzes the implementation of the CIDP, Governor's manifesto and the country's big four plan. The main objective of the sector 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.

**139.** During the implementation of 2016/17-2018/19 budget, this sector has made the following achievement: - 912.4km of new roads have been opened, 185km of roads graveled, 2,340 lm of culverts installed, and lighting was done in most of county's urban areas such as Ukunda, Diani, Kinango, Kwale, Samburu, Taru, Kombani etc. Fire fighting vehicles with 10,000ltrs capacity were procured. However, in the FY 2020/21-2022/23 MTEF period, the sector is expected to revamp the economy through the following programmes: tarmacking of prioritized roads, which is one of the county flagship projects to improve connectivity and service delivery across the county, opening up and rehabilitation of existing county access roads to enhance connectivity for rapid/faster economic growth, installation of streetlights along urban roads (along Blue jay-Kongo mosque road, Ibiza road, Kona Ya Chale, Shirazi, installation of floodlights at Mwangwei, Kivuleni and Mwananyamala.

**140.** Taking into account the role of the sector in the county transformation agenda in the FY 2020/2021, **Kshs. 787.4 million** has been allocated. Recurrent expenditure will be **Kshs. 117.1 million** while **Kshs. 670.3million** will be earmarked for development purposes.

### **5.7.3 General Economic and Commercial Affairs Sector**

**141.** This sector consists of the department of Trade, Investment and Cooperative development and the department of Tourism and ICT. This sector aims at promoting, coordinating and implementing Integrated Socio-economic policies and programmes for a rapidly industrializing economy. In order to achieve this objective, the sector will undertake the following programmes: construction of a fruit processing plant at Kubo south which will promote industrial development, manufacturing and value addition, construction of new market at Lemba in

Ukunda, and electrification of markets and jua kali sheds at Mwangoloto, Mwabila and Nyalani which will enhance service delivery and ensure improved income to the citizens.

**142.** In order to improve access to credit facilities to small scale and medium sized entrepreneurs, the sector will continue the provision of trade loans. Tourism and enhanced tourism earnings will be boosted through construction/rehabilitation of beach access roads, construction of beach public amenities and fencing of historic/tourism sites (Kaya Tiwi tourism site).

**143.** During the financial year (FY) 2020/2021, the sector has a total allocation of **Kshs. 370 million**. Development and recurrent expenditures will be Kshs **270.9 million** and **Kshs 99.1 million** respectively.

#### **5.7.4 Health**

**144.** This sector is charged with the responsibility of providing and promoting quality curative and preventive health care services that are responsive, accessible and affordable to the county citizens. During the FY 2016/17-2018/19 MTEF period, the sector had the following major achievements: construction of 60 new maternity wings which increased the number of expectant mothers delivering in healthcare facilities from 49 percent to 85 percent, construction of 40 new dispensaries thus bringing closer health services to the people. As a result, the access of outpatients OPD has increased. There were supply of essential medicines and non-pharmaceuticals to all health facilities in the county from KEMSA and MEDS, provision of CT scan, the ICU and Renal units in Msambweni hospitals, construction of 2 Drug stores in Kwale and Kinango hospitals, construction of a Rehabilitation center at Kombani.

**145.** Under the sector, the county government will continue to improve access to quality, affordable and acceptable health care services through strengthening maternal health services, construction/rehabilitation of county hospitals and dispensaries and equipping the existing



facilities with modern medical equipment to enhance quality and affordable diagnostic and treatment services.

**146.** To implement these prioritized programmes, the sector has been allocated **Kshs. 2,505.8 million** for the financial year 2020/2021. Out of this **Ksh 559.4 million** has been allocated to development and **Ksh.1, 946.4 million** to recurrent expenditures.

### **5.7.5 Education**

**147.** This sector is mandated 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. The sector made key achievements in the FY 2016/2017 through FY 2018/2019, which includes new infrastructural construction/ improvement. 203 new ECDE centers were constructed to full completion, all 36 VTCs had their infrastructure improved, 110 new ECDE caregivers were employed, teaching/ learning materials were distributed to all the ECDEs and a bursary policy was formulated.

**148.** The sector priorities in the MTEF period 2020/2021-2022/2023 will focus on improving access to quality pre-primary education to all children in the county as well as to empower the youth in technical, vocational and entrepreneurship knowledge and skills. The county government aims at achieving these through construction/ rehabilitation of ECDE centers in the county, improving on the quality of VTC services and provision of modern learning/ teaching materials. The county government will also allocate resources towards construction of the county ECDE teacher training college in Kinango sub-county, as one of the flagship project.

**149.** To achieve the above outcomes, the sector has been allocated **Kshs. 1,576.6 million** of which **Kshs. 1,039.3 million** for recurrent and **Kshs. 537.3 million** for development in FY 2020/2021.

### **5.7.6 Public Administration and International Relations Sector (PAIR)**

**150.** This sector is mandated to provide overall leadership and policy direction in the management of county resources, coordinating policy formulation, implementation, monitoring and evaluation and approving county laws, policies, plans and budgets. It is made up of the department of: - County Executive Services, Public Service and Administration, Finance and Economic Planning, County Public Service board and the County Assembly. Over the past financial years, the sector has made tremendous achievements which include; - construction of ward administration offices, construction of Bus parks (Kinango), provision of garbage collection lorries, formulation and passing of bills, implementation of IFMIS and e – procurement(i-sourcing) and automation of the revenue collection system.

**151.** During the FY 2020/21-2022/23 MTEF period, the sector will prioritize on maintaining a conducive environment to enable achieve the goals and targets highlighted in the County Integrated Development Plan 2018-2022, the governor’s manifesto, the “big four” plan and Kenya’s vision 2030 plan. It will also focus on providing leadership and policy direction to county departments, promoting prudent public finance management; formulate new policies and laws for good governance and facilitate performance management systems in the public service.

**152.** In order to achieve the outcomes listed above, the sector has been allocated **Kshs 1,888.7 million** in the financial year 2020/2021. Out of this **Kshs 1,643.6 million** will be allocated to recurrent expenditures while **Ksh 245.1 million** will be for development.

### **5.7.7 Social Protection, Culture and Recreation Sector**

**153.** One of the key mandates of this sector includes promotion/empowerment of communities and vulnerable groups and promotion of diverse cultures, arts and sports to enhance cohesiveness and county’s regional competitiveness. It also focuses on promotion of local talents to foster sustainable livelihood. To promote, develop and revitalize community and social developments for sustainable development, the sector intends to construct social halls at Mwabila and Majimboni, and construct a rescue center in Kinango sub-county. Youth, Women PWDs will be empowered through the continuation of the revolving fund in each ward.

**154.** The sector will also continue to identify, nurture, develop and manage sports, arts and talents to foster socio-economic development. Among the priorities in the coming financial year include the improvement of sports field in each ward, the construction of public libraries and economic empowerment of the youth, women and people with disabilities. The on- going construction of the county stadium will receive adequate funding to guarantee its completion. This is one of the county government flagship projects which is intended to improve infrastructure for sports, arts and talent development.

**155.** To implement the programmes outlined above, the sector requires a total of **Kshs 312.9million**. Out of this **Kshs 134.1 million** will be for recurrent and **Kshs 178.8million** will be for development.

#### **5.7.8 Water Services**

**156.** This sector entails the development of clean and accessible water resources under water services management. It is mandated to promote safe and sustainable water services for all residents of Kwale County. The sector will strive to improve the access, quality and storage of water for sustainable development in the county. This will be achieved through development of several boreholes, extension of water pipeline, construction of water dams and pans, purchase of borehole drilling materials and support to community water projects. Several big projects under this sector to be implemented include the flagship projects; - Mwakalanga dam phase 2, Dziweni dam phase 3, Kizingo dam phase 2 and Kazamoyo dam phase two.

**157.** In order to implement these prioritized programmes, the sector has been allocated **Kshs. 894.96 million**, for the FY 2020/2021. Development expenditure allocation is **Kshs 824.96million million** whereas recurrent expenditure for the same period is **Kshs 70.00 million**.

## CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS

**158.** This 2020 County Fiscal Strategy Paper will inform the MTEF budget for FY 2020/2021 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 by the County Assembly will be the basis for the FY 2020/2021 budget.

**159.** The second Generation County Integrated Development Plan remains the main reference document to inform all county plans and budgets. This fiscal plan for FY 2020/2021 reiterates the County Government's commitment to implementation of sound policies and strategies for rapid county socio-economic transformation. To be in line with the national objectives of transforming the nation, this CFSP 2020 is linked to the 2020 Budget Policy statement of the National Government. Further efforts have been made to link objectives of the SDGs (World Agenda 2030), Kenya Vision 2030 and the Big Four Plan to this 2020 County fiscal strategy.

**160.** The latest 2019 County Budget Review and Outlook paper made a number of recommendations and conclusions to enhance revenue collection and promote prudent expenditure management. Among the measures that this 2020 CFSP emphasizes include intensifying enforcement and compliance efforts, developing new sources of revenue, fast track automation to its completion and the enactment of laws and regulations.

## **ANNEX I: STATEMENT OF SPECIFIC FISCAL RISKS**

### **Introduction**

1. 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 2020 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 associated with Wages Expenditures**

3. 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.
4. 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 related to Underperformance of Own Source Revenue (OSR)**

5. 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.

6. 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 slow execution of development budget**

7. 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.

8. 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 in Changes in Macroeconomic Assumptions**

9. 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.

10. 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 2020 CFSP as they play a key role in the formulation of the budget.

### **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.

**Insecurity and the advent of terrorist attacks and the Alshabaab Menace.**

**18.** Insecurity is one of the major challenges and risk to our fiscal strategy. Insecurity is manifested in terrorist attacks by the Alshabaab group and organized crime groups. This had a direct effect on tourism due to travel advisories issued by European nations to their citizens thus restricting movement to tourist towns in the country and especially Diani beach. This has reduced tourism earnings as business is low. Further when insecurity sets in there is general loss of revenues and employment opportunities. Our county own source revenue is eventually affected.

**19.** The County Government is committed to ensure there is peace and stability in the county. The County Government will work together with the National Government agencies to improve on security to counter violent extremism and crime. Further the County Government will devise programmes aimed at creating income generating activities for the youth. More specifically through the Social services empowerment programmes will be initiated to offer support to youth to form groups and start income generating activities. Efforts to sustain security will also include the operationalization of the Nyumba Kumi initiative and working closely with communities to curb crime.

## **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. Our fiscal outlay for FY 2020/2021 shows that **development expenditures will amount to 42.5 percent of total budget.**

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 **personnel emoluments have been projected at 33.9 percent of expected budgetary resources.**

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 PUBLIC PARTICIPATION DELIBERATIONS**

### **Investing in relevant and Quality Education**

The main proposal by the public includes the expansion and continuation of the bursary/scholarship education fund by increasing the amount from Ksh 400 Million to Kshs 500 Million issued annually.

The other public views include the construction of more classrooms for the ECDE centres to accommodate the increasing number of children, provision of adequate staff for the centres and carrying out regular maintenance and repair of buildings and equipment in both ECDE centres and the VTCs.

### **Achieving Universal Health Coverage**

The public proposals include the construction of laboratories and improvement of diagnostic equipment in all health facilities. Others include the provision of adequate ambulances fitted with oxygen provision gadgets and improvement of emergency response services. The other views highlighted were ensuring adequate supply of medicines and drugs in all health facilities, recruitment of more staff including nurses, medical officers and specialized health workers. Strengthening of Community health strategy was also emphasized especially facilitation of the CHVs.

### **Increasing Crop Productivity, Livestock Production and Fisheries**

This strategy is undertaken by the department of Agriculture, Livestock and Fisheries and the main priorities suggested by the public include the recruitment of more extension services officers and promotion of value addition for both Agricultural and Livestock products. Under livestock production, harvesting of hay to be done during the rainy season so as to be used during the dry season. The public also stressed the importance of identifying market for crop as well as livestock products.



**Investing in infrastructural development including roads, water and energy.**

The public emphasized the improvement of workmanship in roads and use of quality raw materials by road constructors/ contractors. Materials used in murraming and gravelling of roads is of low quality and are washed away during heavy rains. The public also proposed for the proper and regular maintenance of roads.

**Stimulating Tourism recovery, trade and investment.**

The public suggested for inclusion of more tourism attraction sites development including Vumba Kuu in Vanga, Shimoni Slavery Caves, Petu Mazumalume eco-tourism centre etc.

Under the **promotion of arts, culture sports and social services**, public views include the fast tracking in the construction of the county stadium, improvement of sports fields, empowering the community through the VSLA programme and the Youth, Women and PWD fund and the nurturing of talents, arts and sports.

In **strengthening governance, transparency and accountability**, the public suggested for implementation of public participation and civic education bill to include matters on public finance management, the county budget making process, public procurement, project management and county governments' functions versus National Government functions.

The public also suggested that the county government explores other means of advertising for public participation meetings and also documents being prepared in the local language and Kiswahili for easy understanding.

The public also suggested that the county government should establish a Kwale County cultural day including inviting tourists, initiating fee charges during matches in our sports fields and also renting space for various functions/games.

The public emphasized on the sensitization and training of members of Project Management Committees (PMCs) in wards and also sensitization on the Bills of Quantities before a project is commenced.

**ANNEX IV: MEDIUM TERM RECURRENT EXPENDITURE CEILINGS FOR THE PERIOD FY 2019/2020-FY2022/2023**

SECTOR		Estimates FY 2019/2020	Ceiling FY 2020/2021	PROJECTIONS	
				FY 2021/2022	FY 2022/2023
<b>AGRICULTURE, RURAL AND URBAN DEVELOPMENT</b>	<b>TOTAL</b>	<b>260,818,843.00</b>	<b>261,404,503.00</b>	<b>267,939,615.58</b>	<b>268,207,555.19</b>
Agriculture, Livestock and Fisheries	Sub Total	197,664,289.00	198,108,138.00	203,060,841.45	203,263,902.29
Environment and Natural Resources Management	Sub Total	63,154,554.00	63,296,365.00	64,878,774.13	64,943,652.90
<b>ENERGY &amp; INFRASTRUCTURE</b>	<b>TOTAL</b>	<b>136,821,520.00</b>	<b>124,128,748.00</b>	<b>127,231,966.70</b>	<b>127,359,198.67</b>
Roads and Public Works	Sub Total	136,821,520.00	124,128,748.00	127,231,966.70	127,359,198.67
<b>GENERAL ECONOMIC &amp; COMMERCIAL AFFAIRS</b>	<b>TOTAL</b>	<b>108,823,929.00</b>	<b>109,068,289.00</b>	<b>111,794,996.23</b>	<b>111,906,791.22</b>
Trade & Enterprise Development	Sub Total	58,483,664.00	58,614,987.00	60,080,361.68	60,140,442.04
Tourism & ICT		50,340,265.00	50,453,302.00	51,714,634.55	51,766,349.18
<b>HEALTH SERVICES</b>	<b>TOTAL</b>	<b>1,996,363,741.00</b>	<b>1,946,442,196.00</b>	<b>2,049,202,750.90</b>	<b>2,051,251,953.65</b>
<b>EDUCATION</b>	<b>TOTAL</b>	<b>911,042,408.00</b>	<b>1,059,982,032.00</b>	<b>1,086,481,582.80</b>	<b>1,087,568,064.38</b>
<b>PUBLIC ADMINISTRATION &amp; INTERNATIONAL RELATIONS</b>	<b>TOTAL</b>	<b>1,639,416,096.00</b>	<b>1,512,827,756.00</b>	<b>1,550,648,449.90</b>	<b>1,552,199,098.35</b>
County Assembly	Sub Total	689,345,444.00	591,895,413.00	606,692,798.33	607,299,491.12
County Executive Services	Sub Total	134,634,164.00	134,936,481.00	138,309,893.03	138,448,202.92
Public Service and Administration	Sub Total	350,405,849.00	351,192,674.00	359,972,490.85	360,332,463.34
Finance and Economic Planning	Sub Total	417,511,168.00	385,656,728.00	395,298,146.20	395,693,444.35
County Public Service Board	Sub Total	47,519,471.00	49,146,460.00	50,375,121.50	50,425,496.62
<b>SOCIAL SERVICES AND TALENT MANAGEMENT</b>	<b>TOTAL</b>	<b>154,323,937.00</b>	<b>154,670,466.00</b>	<b>158,537,227.65</b>	<b>158,695,764.88</b>
<b>WATER SERVICES</b>	<b>TOTAL</b>	<b>75,797,371.00</b>	<b>75,967,572.00</b>	<b>77,866,761.30</b>	<b>77,944,628.06</b>
<b>TOTAL</b>	<b>TOTAL</b>	<b>5,283,407,845.00</b>	<b>5,297,271,562.00</b>	<b>5,429,703,351.05</b>	<b>5,435,133,054.40</b>

Source: Kwale County Treasury

**ANNEX V: MEDIUM TERM DEVELOPMENT EXPENDITURE CEILINGS  
FOR THE PERIOD FY 2019/2020-FY 2022/2023**

SECTOR		Estimates FY 2019/2020	Ceiling FY 2020/2021	PROJECTIONS	
				FY 2021/2022	FY 2022/2023
<b>AGRICULTURE, RURAL AND URBAN DEVELOPMENT</b>	<b>TOTAL</b>	<b>585,365,254.00</b>	<b>622,511,329.00</b>	<b>638,074,112</b>	<b>638,712,186</b>
Agriculture, Livestock and Fisheries	Sub Total	398,281,921.00	363,923,700.00	373,021,793	373,394,814
Environment and Natural Resources Management	Sub Total	187,083,333.00	258,587,629.00	265,052,320	265,317,372
<b>ENERGY &amp; INFRASTRUCTURE</b>	<b>TOTAL</b>	<b>616,431,261.00</b>	<b>670,287,212.00</b>	<b>687,044,392</b>	<b>687,731,437</b>
Roads and Public Works	Sub Total	616,431,261.00	670,287,212.00	687,044,392	687,731,437
<b>GENERAL ECONOMIC &amp; COMMERCIAL AFFAIRS</b>	<b>TOTAL</b>	<b>290,841,663.00</b>	<b>270,905,002.00</b>	<b>277,677,627</b>	<b>277,955,305</b>
Trade and Enterprise Development	Sub Total	202,411,604.00	190,758,943.00	195,527,917	195,723,444
Tourism & ICT		88,430,059.00	80,146,059.00	82,149,710	82,231,860
<b>HEALTH SERVICES</b>	<b>TOTAL</b>	<b>505,634,897.00</b>	<b>559,370,131.00</b>	<b>573,354,384</b>	<b>573,927,739</b>
<b>EDUCATION</b>	<b>TOTAL</b>	<b>562,218,298.00</b>	<b>537,268,337.00</b>	<b>550,700,045</b>	<b>551,250,745</b>
<b>PUBLIC ADMINISTRATION &amp; INTERNATIONAL RELATIONS</b>	<b>TOTAL</b>	<b>321,500,000.00</b>	<b>245,082,000.00</b>	<b>251,209,050</b>	<b>251,460,259</b>
County Assembly	Sub Total	93,000,000.00	143,000,000.00	146,575,000	146,721,575
County Executive Services	Sub Total	76,500,000.00	0.00	0	0
Public Service and Administration	Sub Total	112,000,000.00	84,882,000.00	87,004,050	87,091,054
Finance and Economic Planning	Sub Total	40,000,000.00	17,200,000.00	17,630,000	17,647,630
County Public Service Board	Sub Total	0.00	0.00	0	0
<b>SOCIAL SERVICES &amp; TALENT MANAGEMENT</b>	<b>TOTAL</b>	<b>207,843,337.00</b>	<b>178,823,958.00</b>	<b>183,294,557</b>	<b>183,477,852</b>
<b>WATER SERVICES</b>	<b>TOTAL</b>	<b>847,600,000.00</b>	<b>824,956,605.00</b>	<b>845,580,520</b>	<b>846,426,101</b>
<b>GRAND TOTAL</b>	<b>TOTAL</b>	<b>3,937,434,710.00</b>	<b>3,909,204,574.00</b>	<b>4,006,934,688</b>	<b>4,010,941,623</b>

**ANNEX VI: EXPENDITURE CEILINGS BY SECTOR AND CATEGORIES OF FUNDS**

SECTOR		Recurrent Expenditure			Development Expenditure			Total Budget
		Without Grants	Grants	Total	Without Grants	Grants	Total	
<b>AGRICULTURE, RURAL AND URBAN DEVELOPMENT</b>	<b>TOTAL</b>	<b>228,649,674</b>	<b>18,898,793</b>	<b>247,548,467</b>	<b>445,666,294</b>	<b>176,845,036</b>	<b>622,511,329</b>	<b>870,059,796</b>
Agriculture, Livestock and Fisheries	Sub Total	190,508,110	0	190,508,110	234,096,294	129,827,406	363,923,700	554,431,810
Environment and Natural Resources Management	Sub Total	38,141,564	18,898,793	57,040,357	211,570,000	47,017,629	258,587,629	315,627,986
<b>ENERGY AND INFRASTRUCTURE</b>	<b>TOTAL</b>	<b>117,112,138</b>	<b>0</b>	<b>117,112,138</b>	<b>442,002,184</b>	<b>228,285,028</b>	<b>670,287,212</b>	<b>787,399,350</b>
Roads and Public Works	Sub Total	117,112,138		117,112,138	442,002,184	228,285,028	670,287,212	787,399,350
<b>GENERAL ECONOMIC &amp; COMMERCIAL AFFAIRS</b>	<b>TOTAL</b>	<b>99,114,483</b>	<b>0</b>	<b>99,114,483</b>	<b>230,310,632</b>	<b>40,594,370</b>	<b>270,905,002</b>	<b>370,019,485</b>
Trade & Enterprise Development	Sub Total	53,587,028	0	53,587,028	150,164,573	40,594,370	190,758,943	244,345,971
Tourism & ICT	Sub Total	45,527,455	0	45,527,455	80,146,059	0	80,146,059	125,673,514
<b>HEALTH SERVICES</b>	<b>TOTAL</b>	<b>1,840,259,210</b>	<b>106,182,986</b>	<b>1,946,442,196</b>	<b>410,433,961</b>	<b>148,936,170</b>	<b>559,370,131</b>	<b>2,505,812,327</b>
<b>EDUCATION</b>	<b>TOTAL</b>	<b>1,039,335,087</b>		<b>1,039,335,087</b>	<b>480,502,167</b>	<b>56,766,170</b>	<b>537,268,337</b>	<b>1,576,603,424</b>
<b>PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS</b>	<b>TOTAL</b>	<b>1,614,733,792</b>	<b>28,885,238</b>	<b>1,643,619,030</b>	<b>245,082,000</b>	<b>0</b>	<b>245,082,000</b>	<b>1,888,701,030</b>
County Assembly	Sub Total	591,895,413		591,895,413	143,000,000	0	143,000,000	734,895,413
County Executive Services	Sub Total	125,243,766		125,243,766	0	0	0	125,243,766
Public Service and Administration	Sub Total	318,648,512		318,648,512	84,882,000	0	84,882,000	403,530,512
Finance and Economic Planning	Sub Total	533,099,914	28,885,238	561,985,152	17,200,000	0	17,200,000	579,185,152
County Public Service Board	Sub Total	45,846,187	0	45,846,187	0	0	0	45,846,187
<b>SOCIAL SERVICES AND TALENT MANAGEMENT</b>	<b>TOTAL</b>	<b>134,090,004</b>	<b>0</b>	<b>134,090,004</b>	<b>178,823,958</b>	<b>0</b>	<b>178,823,958</b>	<b>312,913,962</b>
<b>WATER SERVICES</b>	<b>TOTAL</b>	<b>70,010,157</b>	<b>0</b>	<b>70,010,157</b>	<b>448,815,575</b>	<b>376,141,030</b>	<b>824,956,605</b>	<b>894,966,762</b>
<b>TOTAL</b>	<b>TOTAL</b>	<b>5,143,304,545</b>	<b>153,967,017</b>	<b>5,297,271,562</b>	<b>2,881,636,771</b>	<b>1,027,567,804</b>	<b>3,909,204,574</b>	<b>9,306,476,136</b>

Source: Kwale County Treasury

**ANNEX VII: FY 2020/2021 EXPENDITURE CEILINGS BY DEPARTMENT & ECONOMIC CLASSIFICATION**

CODE	DEPARTMENT	P.E	O&M	RECURRENT	DEVELOPMENT EXPENDITURE	TOTAL EXPENDITURE
D3061	Finance & Economic Planning	236,142,840	325,844,313	561,987,153	17,200,000	579,187,153
D3062	Agriculture, Livestock & Fisheries	153,844,796	36,663,314	190,508,110	363,923,700	554,431,810
D3063	Environment & Natural Resources	26,860,730	30,179,627	57,040,357	258,587,629	315,627,986
D3064	Health	1,491,826,063	454,616,133	1,946,442,196	559,370,131	2,505,812,327
D3065	County Assembly	290,003,862	301,891,551	591,895,413	143,000,000	734,895,413
D3066	Trade, Investment & Cooperatives Development	29,331,636	24,255,392	53,587,028	190,758,943	244,345,971
D3067	Social Services	34,807,742	99,282,262	134,090,004	178,823,958	312,913,962
D3068	Executive Services	78,485,115	46,758,650	125,243,765	0	125,243,765
D3069	Education	439,732,107	599,602,980	1,039,335,087	537,268,337	1,576,603,424
D3070	Water Services	41,270,978	28,737,179	70,008,157	824,956,605	894,964,762
D3071	Roads & Public Works	83,263,290	33,848,848	117,112,138	670,287,212	787,399,350
D3072	Tourism & ICT	21,764,664	23,762,792	45,527,456	80,146,059	125,673,515
D3073	County Public Service Board	29,925,330	15,920,856	45,846,186	0	45,846,186
D3074	Public Service & Administration.	161,652,135	156,996,377	318,648,512	84,882,000	403,530,512
	<b>TOTAL</b>	<b>3,118,911,288</b>	<b>2,178,360,274</b>	<b>5,297,271,562</b>	<b>3,909,204,574</b>	<b>9,206,476,136</b>
	<b>% ALLOCATION</b>	<b>33.9</b>	<b>23.7</b>	<b>57.5</b>	<b>42.5</b>	<b>100.0</b>

Source: Kwale County Treasury