

**COUNTY GOVERNMENT OF KWALE**



**COUNTY TREASURY**

**COUNTY BUDGET REVIEW AND OUTLOOK PAPER  
FY 2018/2019**

**SEPTEMBER 2019**



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KWALE

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**TABLE OF CONTENTS**

**LIST OF FIGURES ..... iv**

**LIST OF TABLES ..... v**

**ABBREVIATIONS AND ACRONYMS..... vii**

**FOREWORD..... viii**

**ACKNOWLEDGEMENT..... ix**

**EXECUTIVE SUMMARY ..... 1**

**CHAPTER ONE: INTRODUCTION..... 2**

1.0 Objective of the County Budget Review and Outlook Paper (CBROP) 2019 ..... 2

**CHAPTER TWO: REVIEW OF COUNTY FISCAL PERFORMANCE FY 2018/2019..... 3**

2.1 Overview ..... 3

2.1 County Revenue Performance FY 2018/2019 ..... 5

    2.1.1 Overview ..... 5

    2.1.2 Conditional Grants ..... 9

    2.1.3 County Own Source Revenue ..... 11

2.2 County Expenditure Performance ..... 14

    2.2.1 Overview ..... 14

    2.2.3 An analysis of the expenditures ..... 16

        2.2.3.1 Recurrent Expenditure ..... 18

        2.2.3.2 Departmental Expenditure Analysis FY 2018/19 ..... 18

        2.2.3.3 Personnel Emoluments..... 19

        2.2.3.4 Operations and Maintenance..... 21

2.3 Development Expenditure..... 22

2.4 Overall Balance and Financing ..... 24

2.5 Implications of 2018/19 fiscal performance on fiscal responsibility principles ..... 25

**CHAPTER THREE: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK..... 27**

**3.0 OVERVIEW ..... 27**

    3.1 Domestic Economy ..... 27

    3.1.2 Macroeconomic Stability ..... 28

        Inflation..... 28

    3.2 National Fiscal performance ..... 29

3.2.1 Performance of Selected Economic Sectors .....	30
Agriculture, Forestry and Fishing .....	30
Manufacturing .....	31
Construction .....	31
Environment and Natural Resources .....	32
Energy Sector .....	32
The Tourism Sector .....	33
Information and Communication Technology .....	33
3.3. Kenya’s Macroeconomic Outlook 2019 .....	35
3.4 County Economic Review .....	36
Gross County Product (GCP) Estimates .....	36
Recent Economic Developments Which Will Influence the County Economy .....	38
County Macroeconomic Outlook Risks .....	39
<b>CHAPTER FOUR: RESOURCE ALLOCATION FRAMEWORK.....</b>	<b>39</b>
4.1 Adjustment to the 2019/20 budget .....	39
4.2 The Medium Term Expenditure Framework .....	40
4.3 FY 2020/2021 Budget Framework .....	41
4.3.1 Revenue Projections .....	42
4.3.2 Expenditure Projections .....	45
<b>CHAPTER FIVE: CONCLUSION AND NEXT STEPS .....</b>	<b>48</b>
<b>APPENDICES .....</b>	<b>49</b>

**LIST OF FIGURES**

Figure 1 : Analysis of Actual County Revenue for the MTEF Period 2013/2014 – 2017/2018..... 7

Figure 2 : Historical trends in revenue collection from all sources FY 2013/2014-FY 2016/2017..... 8

Figure 3 : Analysis of Quarterly Own Revenue Collection by quarter for 2017/2018 ..... 12

Figure 4 : Historical Budget Trends from FY 2013/2014 - FY 2017/2018..... 14

Figure 5: Historical expenditure trends from FY 2013/2014 -FY 2017/2018..... 17

Figure 6: Analysis of annual absorption rates, 2013/14 – 2017/18..... 18

Figure 7: Historical trends of annual absorption rates FY 2013/2014-2017/2018..... 24

Figure 8: Analysis of County’s annual recurrent absorption rates 2013/2014 – 2017/18 ..... 28

Figure 9: Analysis of County’s annual development absorption rates 2013/14 – 2017/18 ..... 29

Figure 10: Economic Quarterly Growth Rate..... 35

Figure 11: Inflation rate from August 2017 to August 2018 ..... 38

**LIST OF TABLES**

Table 1 : Summary of County Allocation for FY 2017/2018..... 4

Table 2: Analysis of Actual Funds received for FY 2017/2018..... 6

Table 3: Schedule of equitable share funds released to the CRF for FY 2017/2018 ..... 9

Table 4: Analysis of conditional grants for FY 2017/2018 ..... 10

Table 6 : Analysis of county own source revenue collection by stream for FY 2017/2018 ..... 11

Table 7: Analysis of own revenue collection by stream in the MTEF Period 2013/14 – 2017/18 by stream ..... 13

Table 8: Analysis of recurrent expenditure by county department for FY 2017/2018 ..... 19

Table 9: Overview of personnel emoluments by county department for 2017/2018 ..... 20

Table 10: Analysis of expenditure on operations and maintenance by County Department in 2017/18..... 22

Table 11: Analysis of development expenditure 2017/18..... 23

Table 12: Provisional Expenditure Ceilings for the FY 2019/20 and their ranking..... 37

Table 13: Medium Term Expenditure Framework for the period FY 2018/2019 – FY 2021/2022 ..... 43

Table 14 : Summary of County Revenue Envelope..... 44

Table 15: Summary of County Revenue Envelope Showing the Grants types ..... 46

Table 16: Provisional Expenditure Ceilings for the FY 2020/21 by Vote and Economic Classification.....47

**LIST OF APPENDICES**

Appendix 1: Medium Term Recurrent Expenditure Framework for the period FY 2018/2019 – FY 2021/2022 ..... 48  
Appendix 2: Medium Term Development Expenditure Framework for the period FY 2018/2019 – FY 2021/2022..... 49



## **ABBREVIATIONS AND ACRONYMS**

CADP	County Annual Development Plan
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
DANIDA	Danish International Development Agency
EAC	East African Community
EPZ	Export Processing Zone
GDP	Gross Domestic Product
FY	Financial Year
HR	Human Resources
IMF	International Monetary Fund
KBRR	Kenya Banks Reference Rate
KNBS	Kenya National Bureau of Statistics
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
PFMA	Public Finance Management Act
PFMR	Public Finance Management Regulations
PWDs	Persons with Disabilities
SGR	Standard Gauge Railway

## FOREWORD

The Kwale County Budget for financial year (FY) 2018/2019 was implemented against a background of promising country's economic growth. The domestic economy is estimated to have expanded by 6.3 per cent in 2018 compared to 4.9 per cent in 2017. This economic growth was attributable to increased agricultural production, accelerated manufacturing activities, sustained growth in transportation and robust services sector activities.

The FY 2018/2019 budget had actual revenues from all sources of **Ksh10, 594,356,913.75** against a target of **Ksh 11,518,017,573**. The County received about **91.9 percent** of the total expected revenues. Equitable share of revenues amounted to **Ksh 7,536,000,000**, County own source revenue was **Kshs 315 Million** and the Conditional grants received were **Ksh 526.8 Million**.

During the period under review, a total of **Ksh 7.7 Billion** was spent representing an absorption capacity of **66.9 percent** of the total approved budget for FY2018/2019. This was a decline compared to absorption rate of **71.99 percent** achieved in the previous financial FY2017/2018. **Kshs 6.71 Billion** was spent in the previous financial year FY2017/2018 against a budget of **Ksh 9.3 Billion**. The main challenges faced in the implementation of the FY 2018/2019 was the delay in the release of funds from the National Treasury and the late procurement which was caused by adoption of the *i-sourcing* which had initial inefficiencies due capacity inadequacy.

The 2019 County Budget Review and Outlook paper (CBROP) takes into consideration the priorities set out in the FY 2020/2021 Annual Development Plan to be implemented in the FY 2020/2021 budget and the medium term. This 2019 CBROP has therefore set out provisional expenditure ceilings which are in line with the key priorities of our transformation agenda. The ceilings will be firmed up during preparation of the 2020 County Fiscal Strategy Paper (CFSP)

**HON. BAKARI HASSAN SEBE**  
**EXECUTIVE MEMBER, FINANCE & ECONOMIC PLANNING**

## **ACKNOWLEDGEMENT**

This 2019 CBROP is prepared in accordance with the requirements of section 118 of the Public Finance Management Act, (PFMA) 2012. It will provide a review of the actual fiscal performance for financial year (FY) 2018/2019 and how this performance affects the financial objectives given in the last County Fiscal Strategy Paper CFSP 2019 and the compliance to the fiscal responsibility principles spelt out in section 107 of the PFMA, 2012. The review of the actual fiscal performance of the previous financial year 2018/2019 coupled with the updated macroeconomic outlook and fiscal projections contained in this 2019 CBROP will also give the basis for preparation of the supplementary estimates for FY 2019/2020 and the focus for FY 2020/2021 budget.

Preparation of this document incorporated inputs from various participants .These include departments and organs of the County Government. We are grateful for their inputs. Further I wish to recognize the support from departments through their principal accountants who provided relevant information and statistics which informed the contents of this Paper. Finally, I wish to appreciate the County Budget and Economic Planning team for their dedication in the quality content development and prompt delivery of this document.

**ALEX ONDUKO THOMAS**  
**CHIEF OFFICER FINANCE, EXECUTIVE SERVICES & ECONOMIC PLANNING**

**Legal Basis for the Publication of the County Budget Review and Outlook Paper**

Section 118 of the Public Finance Management Act, 2012 states that:-

1. The County Treasury shall prepare and submit to the County Executive Committee for approval, by 30th September in each financial year, a County Budget Review and Outlook Paper which shall include :-

- a) Actual fiscal performance in the previous financial year compared to budget appropriation for that year;
- b) Updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper
- c) Information on how actual financial performance for the previous financial year may have affected compliance with fiscal financial responsibility principles or the financial objectives in the latest County Fiscal Strategy Paper;
- d) The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.

2. County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it with or without amendments, not later than fourteen days after its submission.

3. Not later than seven days after the County Budget Review and Outlook Paper has been approved by the Executive Committee, the County Treasury shall:-

- a) arrange for the Paper to be laid before the County Assembly
- b) as soon as practicable after having done so, publish and publicize the Paper

## EXECUTIVE SUMMARY

The FY 2018/2019 budget had actual revenues from all sources of **Ksh10, 594,356,913.75** against a target of **Ksh 11,518,017,573** .This was about **91.9 percent** of the total expected revenues. Equitable share of revenues amounted to **Ksh 7,536,000,000** which were released to the county. County own source revenue achieved was **Kshs 315 Million** against a set target of **Kshs 303 Million**. This was excellent performance compared to previous financial year where the County Government own source revenue was Ksh 226 Million. The county own source revenue growth was **39.3 percent**.

Conditional grants received amounted to **Kshs 526.8 Million** against a budgeted figure of Ksh. 1,461 Billion. Total disbursements as at the close of the financial year were totaling to **Kshs 7.7 Billion**. This is an improvement from previous financial FY 2015/2016 where the county received Kshs 5.59 Billion.

During the period under review, a total of **Ksh 7.7 billion** was spent representing an absorption capacity of **66.9 percent** of the total approved budget for FY2018/2019. This is a significant decline compared to in the previous financial FY2017/2018 where absorption rate was **71.99 percent**. **Kshs 6.71 billion** which was spent in the previous financial year FY2017/2018 against a budget of **Ksh 9.3 billion**. However, the performance was satisfactorily good for FY 2018/2019. The County Government achieved absorption rates in recurrent and development expenditures of **95 percent** and **42 percent** respectively.

## **CHAPTER ONE: INTRODUCTION**

### **1.0 Objective of the County Budget Review and Outlook Paper (CBROP) 2019**

- 1.** The purpose of preparing this 2019 CBROP is to highlight the actual county fiscal performance of the previous financial year 2018/2019 and how this impacts on the financial objectives contained in the latest County Fiscal Strategy Paper 2019. It will further provide an insight into how the 2018/2019 budget implementation affected the fiscal responsibility principles laid down in section 107 of the Public Finance Management Act, 2012.
  
- 2.** The review of the actual fiscal performance of the previous financial year 2018/2019 coupled with the updated macroeconomic outlook and fiscal projections contained in this 2019 CBROP will give the basis for preparation of the supplementary estimates for FY 2019/2020 and the focus for FY 2020/2021 budget.
  
- 3.** The strategic priorities and development objectives contained in our latest FY 2020/2021 Annual Development Plan have been re-emphasized in this 2019 CBROP for implementation in the FY 2020/2021 budget and the medium term. Our core agenda of transforming Kwale in key sectors of education, health care, water services, roads, agricultural transformation and social welfare development has informed the provisional ceilings given in this document.
  
- 4.** This 2019 CBROP is organized as follows: Chapter I introduces the paper. Chapter II provides a review of the fiscal performance and its implications on the financial objectives given in the 2019 CFSP and the PFMA fiscal responsibility principles. Recent economic developments and 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: REVIEW OF COUNTY FISCAL PERFORMANCE FY 2018/2019**

### **2.1 Overview**

4. This chapter provides information on the County's fiscal performance for the period ending 30<sup>th</sup> June 2019. It further gives details on the county revenue performance and expenditures in the implementation of the budget for the financial year 2018/2019.

5. During the period under review, the approved budget for Kwale County was Kshs. **11,518,017,573**, comprising of 46.9 per cent recurrent expenditure amounting to Kshs. **5,398,240,690.60** and 53.1 per cent development expenditure totaling to Kshs. **6,119,776,882.40**

6. The fiscal performance for the FY 2018/2019 was satisfactorily good, although there were shortcomings in revenue collection especially in the first two quarters mainly caused by delays in the disbursement of funds from the National Exchequer. Regardless of the challenges, the county government recorded a 12.8 percent growth in total revenues. In FY 2018/2019 the County Government received Ksh 10.6 Billion compared to Ksh 9.4 Billion in the financial year 2017/2018. This translated to about **12.8 percent** growth. For own source (local) revenue the County Government collected Ksh **315,025,181.95** in FY 2018/2019 implying an increment of **39.3 percent** of the amount of **Ksh. 226, 210,459** in the FY 2017/2018.

7. On the expenditure side, the County Government ensured strict adherence to the fiscal responsibility principles as set out in Section 107 of the Public Finance Management (PFM) Act, 2012 to ensure prudence and transparency in the management of public resources. As a result, the County Government achieved commendable absorption rates in both recurrent expenditure at **86.5** percent and **53.6** percent for development budget in the period under review.

**Table 1 : Summary of County Revenue Allocation for FY 2018/2019 Budget**

<i>Source</i>	<i>Allocation in FY 2018/2019 Budget</i>
<i>Equitable Share of Revenue from National Government</i>	<b>7,536,000,000.00</b>
<i>County Own Source Revenue</i>	<b>303,112,305.00</b>
<b><i>SUB TOTAL</i></b>	<b>7,839,112,305.00</b>
<b><i>GRANTS</i></b>	<b>-</b>
<i>Development of Youth Polytechnics</i>	41,860,000.00
<i>Development of Youth Polytechnics grant bal c/d FY 2017/2018</i>	43,762,833.00
<i>Compensation for User Fees Forgone</i>	15,209,593.00
<i>Leasing of Medical Equipment</i>	200,000,000.00
<i>Road Maintenance Levy</i>	198,416,317.00
<i>World Bank Grant on Kenya Devolution Support Programme</i>	50,747,782.00
<i>World Bank Grant on Kenya Devolution Support Programme bal c/f in FY 2017/2018</i>	27,062,606.00
<i>World Bank Grant for Universal Health Care Project</i>	98,175,267.00
<i>DANIDA Grant to Supplement Financing of County Health facilities</i>	24,300,000.00
<i>Water and Sanitation Development Project (WSDP)</i>	400,000,000.00
<i>World Bank Grant for Kenya Urban Support Project</i>	50,000,000.00
<i>WB Kenya Urban Support Programme-Urban Institutional Grants +bal.c/f in FY 2017/2018</i>	41,200,000.00
<i>World Bank Loan for National Agricultural and Rural Inclusive Growth Project</i>	140,435,163.00
<i>World Bank Loan for National Agricultural and Rural Inclusive Growth Project bal c/f 2017/2018</i>	57,109,855.00
<i>Agricultural Sector Development Support Programme-ASDSP II bal c/f in FY 2017/2018</i>	23,138,788.00
<i>EU Grant for Instrument for Devolution Advice and Support</i>	50,013,026.00
<b><i>TOTAL GRANTS</i></b>	<b>1,461,431,230.00</b>
<i>Income Brought Forward</i>	<b>2,217,474,038.00</b>
<b><i>GRAND TOTAL</i></b>	<b>11,518,017,573.00</b>

**Source:** Kwale County Treasury



## 2.1 County Revenue Performance FY 2018/2019

### 2.1.1 Overview

8. The County Government had an approved budget of **Kshs.11.52 billion** during the period under review, up from Kshs.9.32 billion in the previous FY2017/2018. The approved budget comprised of 46.87 percent recurrent expenditure amounting to Kshs. **5,398,240,690.60** and 53.13 percent development expenditure totaling to Kshs. **6,119,776,882.40**.

9. The county approved budget was to be financed through the Revenue Envelope for the budget FY2018/2019 consisting of Equitable share from National government and our own county source revenue amounting to **Ksh.7,839,112,305.00**, conditional grants amounting to **Ksh.499,248,743** which comprised of User fees forgone Kshs. 15.21 million (3.01 percent), Leasing of medical equipment Kshs. 200 million (40.06 percent) and Road maintenance levy fund Kshs. 198.42 million (39.74 percent),development of Youths Polytechnics 41.86 million (.8.38percent). The loans and other grants amounting to **Ksh. 962,182,487** included; World Bank Universal Health Care project Kshs. 98.18 million (10.20 percent) and DANIDA grant to supplement financing of county health facilities of Kshs. 24.30 million (2.53 percent).Further Kshs. 50.01 million being EU grant for Instrument of Devolution Advice and Support down from 66 million during FY 2017/2018 and Kshs. 140.44 million for World Bank loan for National Agricultural and Rural Inclusive Growth project (NARIGP).

10. The County government, under the period under review recorded a significant improvement by 12.77 percent of the county revenue totaling to **Ksh.10.60 billion** (including balances brought forward from previous financial year) from Kshs. 9.4 billion in the previous year.

11. Further analysis of the actual funds received is shown in the figure below.

**Table 2: Analysis of Actual Funds received for FY 2018/2019**

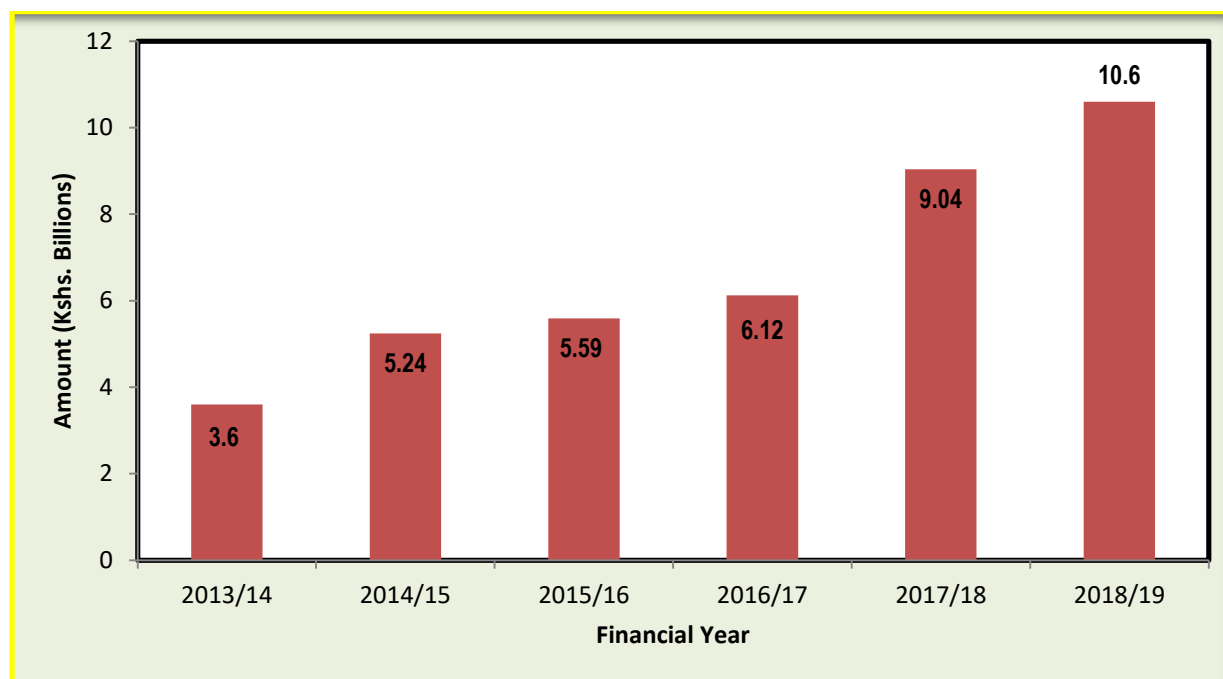
<i>Source</i>	<i>FY 2018/2019 Budget</i>	<i>Actual Funds received</i>	<i>% Actual Received</i>
<i>Equitable Share of Revenue</i>	<b>7,536,000,000.00</b>	7,536,000,000.00	100
<i>County Own Source Revenue</i>	<b>303,112,305.00</b>	315,025,181.95	103.93
<b><i>SUB TOTAL</i></b>	<b>7,839,112,305.00</b>	<b>7,851,025,181.95</b>	100.15
<b><i>GRANTS</i></b>	-		
<i>Development of Youth Polytechnics</i>	41,860,000.00	31,604,300.00	75.50
<i>Development of Youth Polytechnics grant bal c/d FY 2017/2018</i>	43,762,833.00		0
<i>Compensation for User Fees Forgone</i>	15,209,593.00	15,209,593.00	100
<i>Leasing of Medical Equipment</i>	200,000,000.00		0
<i>Road Maintenance Levy</i>	198,416,317.00	198,416,317.00	100
<i>World Bank Grant on Kenya Devolution Support Programme</i>	50,747,782.00		0
<i>World Bank Grant on Kenya Devolution Support Programme bal c/f in FY 2017/2018</i>	27,062,606.00		0
<i>World Bank Grant for Universal Health Care Project</i>	98,175,267.00	57,611,664.80	58.68
<i>DANIDA Grant to Supplement Financing of County Health facilities</i>	24,300,000.00	24,300,000.00	100
<i>Water and Sanitation Development Project (WSDP)</i>	400,000,000.00		0
<i>World Bank Grant for Kenya Urban Support Project</i>	50,000,000.00	50,000,000.00	100
<i>WB Kenya Urban Support Programme-Urban Institutional Grants +bal.c/f in FY 2017/2018</i>	41,200,000.00	41,200,000.00	100
<i>World Bank Loan for National Agricultural and Rural Inclusive Growth Project</i>	140,435,163.00	50,078,476.00	35.66
<i>World Bank Loan for National Agricultural and Rural Inclusive Growth Project bal c/f 2017/2018</i>	57,109,855.00		0
<i>Agricultural Sector Development Support Programme-ASDSP II bal c/f in FY 2017/2018</i>	23,138,788.00	8,424,317.00	36.41
<i>EU Grant for Instrument for Devolution Advice and Support</i>	50,013,026.00	50,013,026.00	100
<b><i>TOTAL GRANTS</i></b>	<b>1,461,431,230.00</b>	<b>526,857,693.80</b>	36.05
<b><i>GRAND TOTAL</i></b>	<b>9,300,543,535.00</b>	<b>8,377,882,875.75</b>	90.08

Source: Kwale County Treasury

### Revenue Analysis

12. The analysis of actual revenues received shows that the County government has been having an incremental and spontaneous growth of revenue over the years since the financial year FY 2013/2014 when devolution started. In the last financial year 2013/2014 the County received revenues amounting to Ksh 3.6 Billion. This increased over the years and in the financial year 2018/2019 the County received revenues totaling to Ksh.10.60 **billion** (including balances brought forward from previous financial year) .The table below provides an overview of the revenues received from FY 2013/2014 to FY 2018/2019.

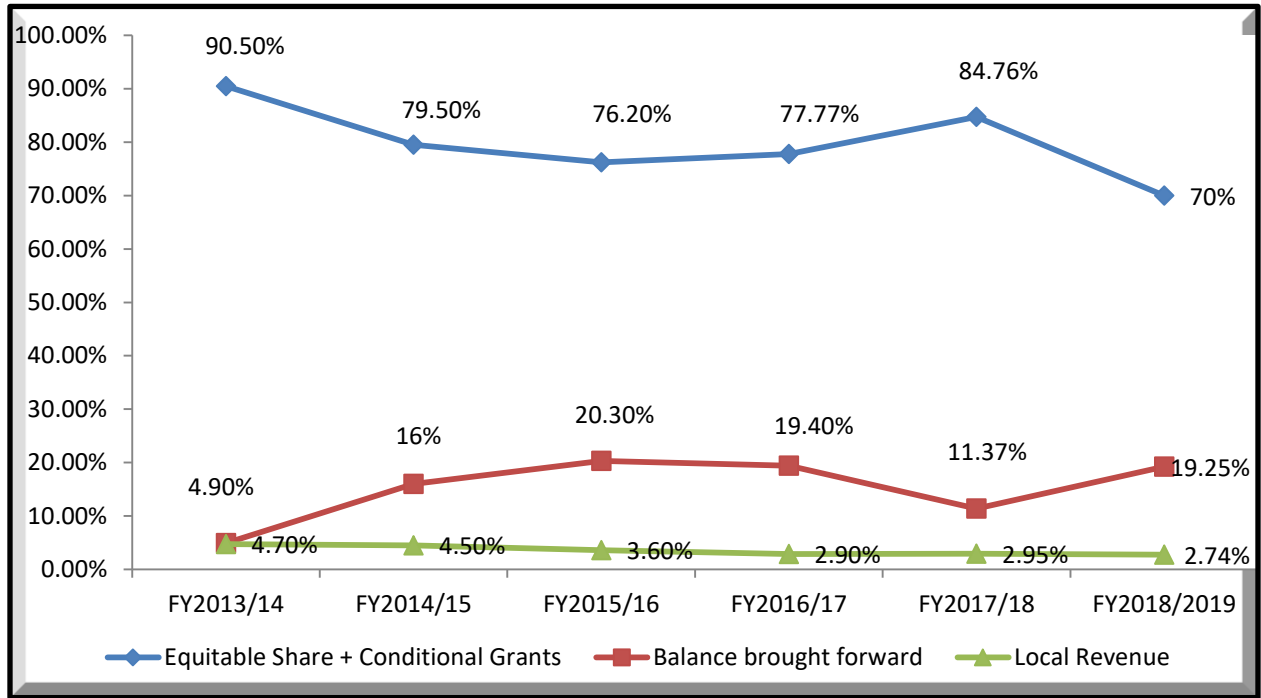
**Figure 1 : Analysis of Actual County Revenue for the MTEF Period 2013/2014 – 2018/2019**



**Source:** *Kwale County Treasury*

13. An analysis of the historical trends of revenue collection for the entire MTEF period from FY 2013/2014 - FY 2018/2019 shows a steady increase in the total revenue as shown in the figure below.

**Figure 2: Historical trends in revenue collection from all sources FY 2013/2014-FY 2018/2019**



Source: Kwale County Treasury

### Transfers from the National Government

**14.** The County Government of Kwale reported a slight growth in actual transfers from the National Government by 4 percent to **Kshs. 7.5 billion** against Kshs. 7.2billion received in the previous financial year FY2017/2018. However, delays in the releasing of funds to the County Revenue Fund (CRF) account was witnessed hence affecting project implementation and service delivery as a whole. The table below provides an overview of how the equitable share was disbursed to the CRF within the review period

**Table 3: Schedule of Equitable Share of Revenue Funds Disbursed for Budget FY 2018/2019**

Budgeted Allocation	Date Disbursed	FT. Number	Amount disbursed	Running Balance	S/NO
<b>7,536,000,000</b>				<b>7,536,000,000.00</b>	
	26-Sep-18	FT18275WQ81M	376,800,000.00	7,159,200,000.00	1
	31-Oct-18	FT18304WRJZ6	527,520,000.00	6,631,680,000.00	2
	30-Nov-18	FT18334MN738	678,240,000.00	5,953,440,000.00	3
	2-Jan-18	FT19002V62C4	753,600,000.00	5,199,840,000.00	4
	29-Jan-18	FT190297H1VV	753,600,000.00	4,446,240,000.00	5
	1-Mar-19	FT19060K3TK0	602,880,000.00	3,843,360,000.00	6
	3-Mar-19	FT1908883KY0 M	715,920,000.00	3,127,440,000.00	7
	26-Apr-19	FT19116D2XHJ	678,240,000.00	2,449,200,000.00	8
	28-May-19	FT191483WVNF	602,880,000.00	1,846,320,000.00	9
	27-Jun-19	FT19178XZC3V	640,560,000.00	1,205,760,000.00	10
	5-Jul-19	FT19186FJKJ4	602,880,000.00	602,880,000.00	11
	5-Jul-19	FT19186JPNM7	602,880,000.00		12
<b>Total Disbursements</b>			<b>7,536,000,000.00</b>		

**Source:** Kwale County Treasury

**15.** Analysis of the funds released to the CRF indicates that only one disbursement of the equitable share was done in the first quarter of the review period. Further, a total of Kshs. 602.88 million of the equitable allocated for the period FY2018/19 was disbursed in the first quarter of the succeeding financial year 2019/2020. As a result, programme and project implementation for FY 2018/2019 was affected and thus the absorption rate for the development budget went down.

### **2.1.2 Conditional Grants**

**16.** These are additional resources allocated to the County Government from revenue raised by the National Government or in form of loans and grants from development partners in support of major public services that are devolved such as health care services. They include compensation for user

fees forgone, leasing of medical equipment, World Bank loan to supplement financing of county health facilities, World Bank Universal Health Care Project and DANIDA Grant to supplement financing of county health facilities in the health sector. Others include the Road maintenance fuel levy fund in the infrastructure sector. The table below shows an analysis of the performance of conditional grants within the period under review.

**Table 4: Analysis of conditional grants for FY 2018/2019**

<i>Source</i>	<b>Budget FY 2018/2019</b>	<b>Actual Funds Received</b>	<b>% Actual Funds Received</b>
<i>Development of Youth Polytechnics</i>	41,860,000.00	31,604,300.00	75.50
<i>Development of Youth Polytechnics grant bal c/d FY 2017/2018</i>	43,762,833.00		0
<i>Compensation for User Fees Forgone</i>	15,209,593.00	15,209,593.00	100
<i>Leasing of Medical Equipment</i>	200,000,000.00		0
<i>Road Maintenance Levy</i>	198,416,317.00	198,416,317.00	100
<i>World Bank Grant on Kenya Devolution Support Programme</i>	50,747,782.00		0
<i>World Bank Grant on Kenya Devolution Support Programme bal c/f in FY 2017/2018</i>	27,062,606.00		0
<i>World Bank Grant for Universal Health Care Project</i>	98,175,267.00	57,611,664.80	58.68
<i>DANIDA Grant to Supplement Financing of County Health facilities</i>	24,300,000.00	24,300,000.00	100
<i>Water and Sanitation Development Project (WSDP)</i>	400,000,000.00		0
<i>World Bank Grant for Kenya Urban Support Project</i>	50,000,000.00	50,000,000.00	100
<i>WB Kenya Urban Support Programme-Urban Institutional Grants +bal.c/f in FY 2017/2018</i>	41,200,000.00	41,200,000.00	100
<i>World Bank Loan for National Agricultural and Rural Inclusive Growth Project</i>	140,435,163.00	50,078,476.00	35.66
<i>World Bank Loan for National Agricultural and Rural Inclusive Growth Project bal c/f 2017/2018</i>	57,109,855.00		0
<i>Agricultural Sector Development Support Programme-ASDSP II bal c/f in FY 2017/2018</i>	23,138,788.00	8,424,317.00	36.41
<i>EU Grant for Instrument for Devolution Advice and Support</i>	50,013,026.00	50,013,026.00	100
<b>TOTAL GRANTS</b>	<b>1,461,431,230.00</b>	<b>526,857,693.80</b>	<b>36.05</b>

**Source: Kwale County Treasury**

### 2.1.3 County Own Source Revenue

17. The County Government recorded an own revenue collection with a significant increase of 39.2 percent compared to **Ksh. 226,210,459.00** collected in the previous period. The actual own revenue collection amounting to **Ksh 315,025,181.95** represents 103.93 percent of the annual target of **Kshs. 303,112,305**.

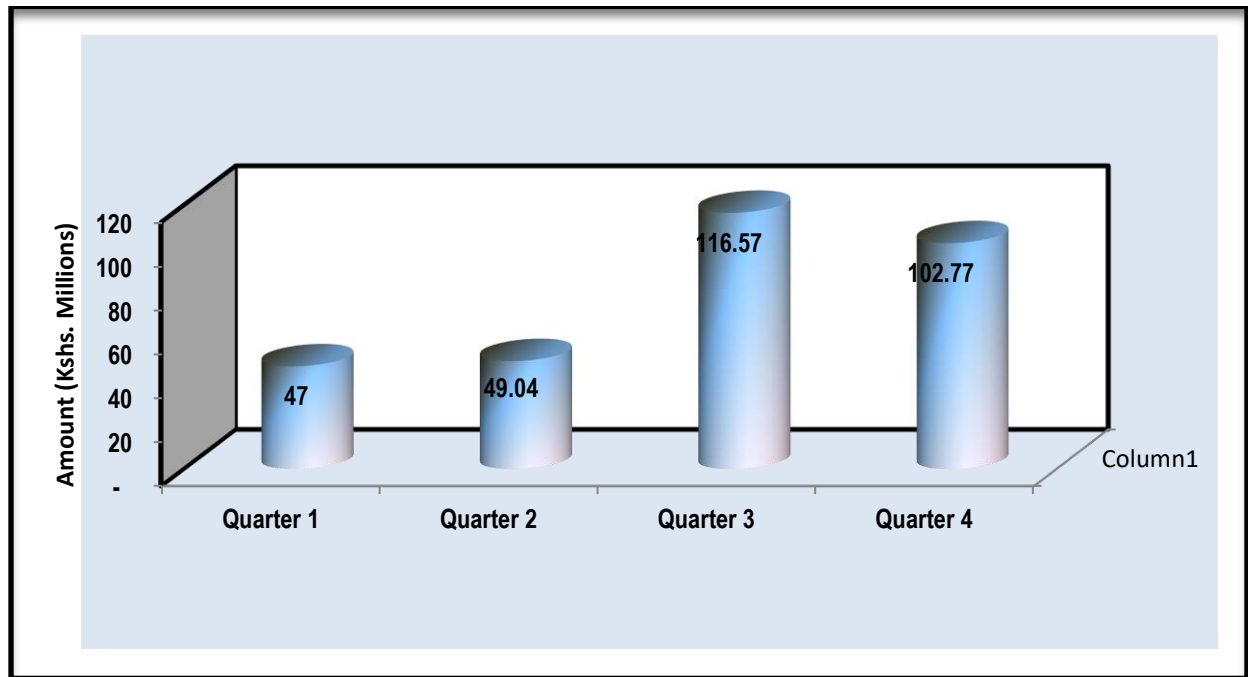
**Table 5: Analysis of County own source revenue collection by stream for FY 2018/2019**

S/No.	Revenue Stream	Target	Actual Revenue Received	% Actual Received
		FY 2018/2019		
1	Administrative Fess & Charges	2,188,146.00	2,434,252.00	111.25
2	Land Rates	50,176,080.00	52,156,536.35	103.95
3	Business Permits	62,506,661.65	69,536,520.00	111.25
4	Cess	7,950,429.70	8,597,053.00	108.13
5	Plot rents	2,400,000.00	3,297,009.00	137.38
6	Administrative Service fees	2,797,478.25	3,230,731.85	115.49
7	Various fees	292,450.00	131,000.00	44.79
8	Natural Resources Exploitation	20,218,734.00	17,750,524.45	87.79
9	Lease/Rental of Infrastructural assets	1,124,325.00	1,175,500.00	104.55
10	Other miscellaneous revenues	305,000.00	2,185,681.00	716.62
11	Market/Trade Centre fees	5,507,548.40	4,977,008.00	90.37
12	Auction fees	8,024,000.00	6,909,132.00	86.11
13	Vehicle Parking fees	15,691,268.00	15,301,919.00	97.52
14	Housing	2,527,200.00	2,701,526.00	106.9
15	Public Health Services	7,300,290.00	10,887,706.00	149.14
16	Public Health Facilities	98,910,000.00	95,874,013.30	96.93
17	Slaughter Houses Administration	658,512.55	529,807.00	80.46
18	Technical Services Fees	14,534,181.45	17,349,263.00	119.37
	<b>Total Local Revenue</b>	<b>303,112,305.00</b>	<b>315,025,181.95</b>	<b>103.93</b>

**Source:** *Kwale County Treasury*

18. The County own source revenue has been expanding for the last three successive years. This performance as illustrated in the figure below shows that the county collected more revenue of Kshs.116.57 million and 102.77 million in the third and fourth quarters respectively as compared to the first two quarters.

**Figure 3: Analysis of Quarterly Own Revenue Collection by quarter for 2018/2019**



**Source:** Kwale County Treasury

19. The table below shows Comparative analysis of the actual local revenue during the first MTEF period 2013 – 2018/19 indicates the actual revenue improved from **Kshs. 203.46 Million** in FY2013/14 to close at **Kshs.315.03 Million** in FY2018/19.



**Table 6: Analysis of own revenue Collection by stream in the MTEF Period 2013/14 – 2018/19**

S/No.	Revenue stream	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
1	Administrative Fess & Charges	11,563,692	11,192,029	6,113,755	4,832,314	3,798,234	2,434,252
2	Land Rates	63,710,003	52,515,086	49,580,780	50,452,309	40,176,080	52,156,536
3	Business Permits	42,385,040	57,223,148	59,661,031	54,432,619	60,671,524	69,536,520
4	Cess	11,113,354	13,569,362	13,887,864	11,784,237	10,967,934	8,597,053
5	Plot rents	-	-	3,806,393	3,230,575	2,183,356	3,297,009
6	Administrative Service fees	35,000	2,189,211	2,359,660	2,167,760	2,664,265	3,230,732
7	Various fees	-	-	2,457,470	146,500	288,000	131,000
8	Natural Resources Exploitation	16,520,973	22,473,654	24,894,543	20,787,266	17,687,672	17,750,524
9	Lease/Rental of Infrastructural assets	-	-	443,050	769,850	980,000	1,175,500
10	Other miscellaneous revenues	12,081,701	3,711,794	4,474,646	3,369,884	2,075,731	2,185,681
11	Market/Trade Centre fees	13,501,337	9,770,707	11,913,337	12,560,926	11,630,781	11,886,140
12	Vehicle Parking fees	2,591,930	6,537,542	11,028,074	11,054,159	10,383,549	15,301,919
13	Housing	975,875	1,828,825	6,614,286	2,585,400	2,310,883	2,701,526
14	Public Health Services	1,348,000	5,006,500	3,867,695	2,233,200	7,300,290	10,887,706
15	Public Health Facilities Operations	17,551,693	46,726,560	32,621,588	23,972,370	35,672,090	95,874,013
17	Slaughter Houses Administration	1,108,675	1,746,499	867,590	1,650,335	852,294	529,807
18	Technical Services Fees	8,970,672	19,481,743	14,025,824	14,981,482	16,567,776	17,349,263
	<b>Total Local Revenue</b>	<b>203,457,945</b>	<b>253,972,660</b>	<b>248,617,586</b>	<b>221,011,186</b>	<b>226,210,459</b>	<b>315,025,182</b>

Source: Kwale County Treasury

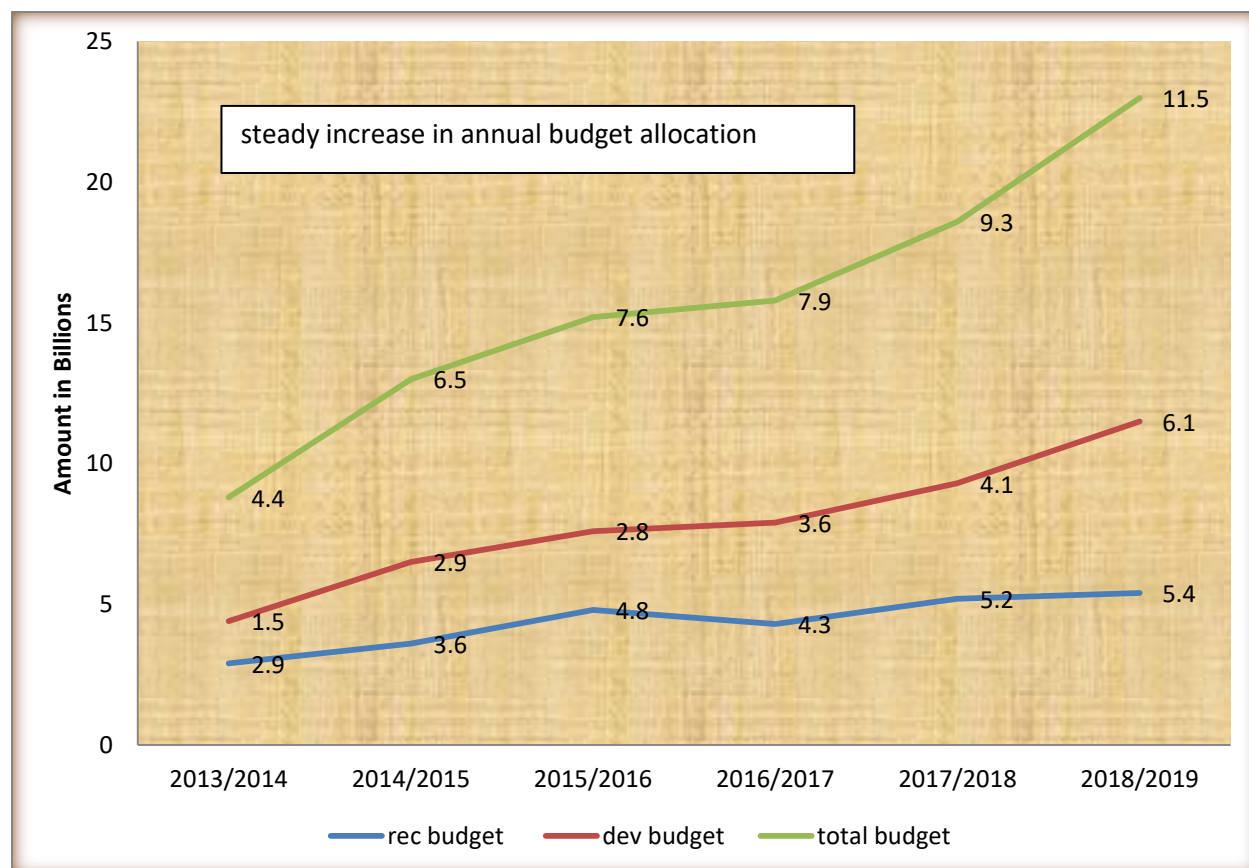
## 2.2 County Expenditure Performance

### 2.2.1 Overview

20. During the period under review, the County Government of Kwale had a total budget of Ksh **11.52Billion**. Out of this budget, Ksh **5.40 Billion** constitutes the recurrent budget while Ksh **6.12** is the development budget.

21. An analysis of the historical trends of budget for the entire MTEF period from FY 2013/2014 - FY 2018/2019 shows a steady increase in the total revenue and hence the total budget for the county. Figure below shows the historical trends in the budget allocation

**Figure 4:** Historical Budget Trends from FY 2013/2014 - FY 2018/2019



**Source:** Kwale County Treasury

22. During the period under review, a total of **Ksh 7.7 billion** was spent representing an absorption capacity of **66.9 percent** of the total approved budget for FY2018/2019. This is a significant decline compared to in the previous financial FY2017/2018 where absorption rate was **71.99 percent**. Kshs **6.71 billion** which was spent in the previous financial year FY2017/2018 against a budget of **Ksh 9.3 billion**. This reduction in absorption rate is as a result of declined expenditure on development projects due to the delay in the release of funds from the National Treasury and the adoption of the new e-procurement process that delayed the entire tendering procedures.

**Table 7: Analysis of expenditure 2018/19 (Approved vs. Actual)**

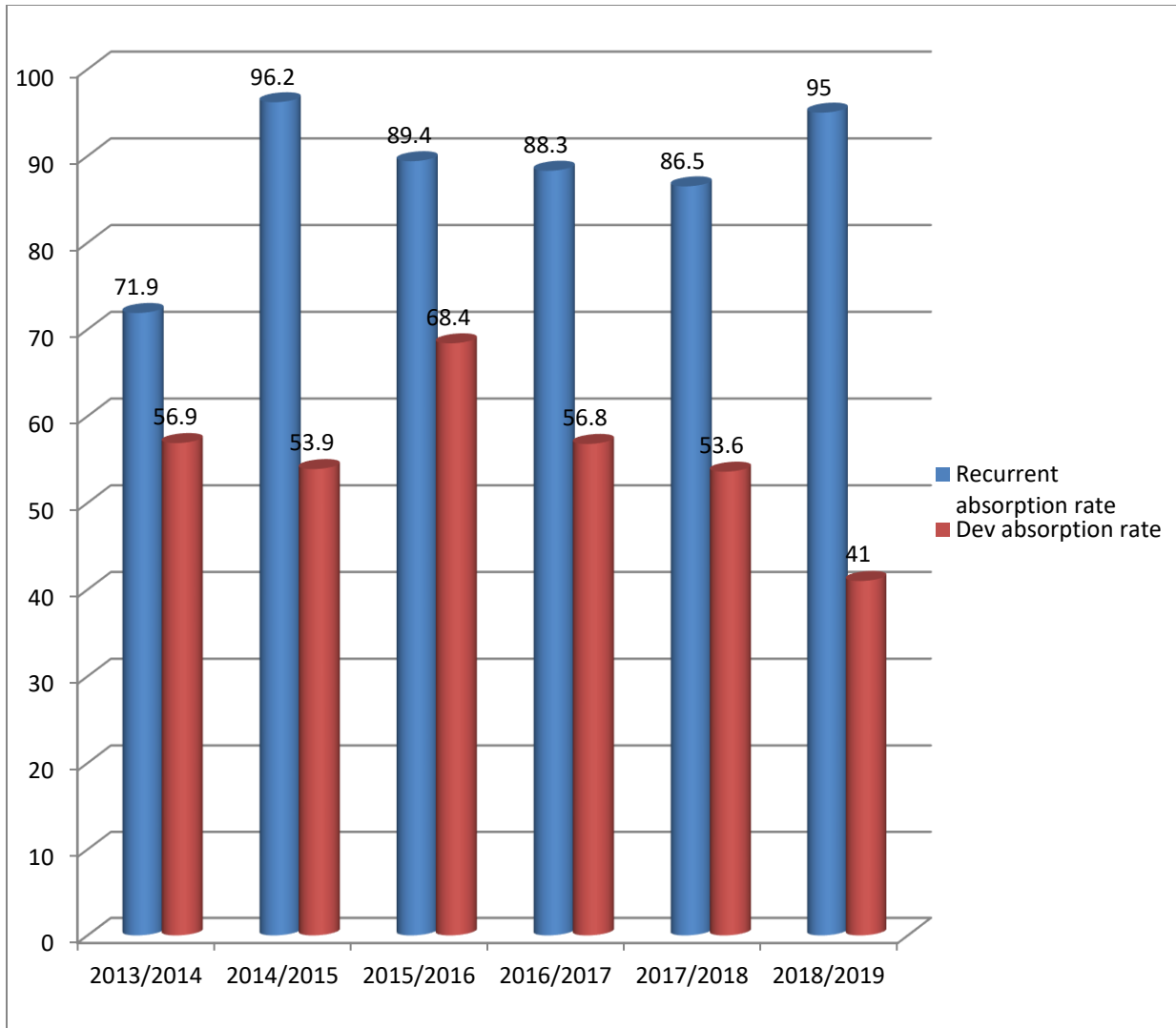
DEPARTMENT	BUDGET ALLOCATIONS 2018/2019		
	Approved Estimates (Net)	Actual Expenditure	Absorption Capacity (%)
County Executive Services	281,025,720.00	220,251,322.15	78.4
Public Service & Administration	235,149,153.00	203,107,640.00	86.4
Finance & Economic Planning	923,987,300.45	838,025,459.55	90.7
Agriculture, Livestock & Fisheries	621,177,442.00	322,874,085.15	52.0
Education, Research and HR Development	1,893,490,953.00	1,310,052,966.00	69.2
Medical & Public Health Services	3,082,859,578.00	2,468,946,252.05	80.1
Trade, Investment & Cooperatives	277,514,020.00	126,422,493.75	45.6
Tourism & ICT	163,073,473.00	123,541,753.25	75.8
Social Services & Talent Management	394,700,865.00	200,463,702.15	50.8
Roads & Public Works	924,858,265.00	493,516,498.90	53.4
Environment & Natural Resources	336,549,281.00	184,044,752.80	54.7
Water Services	1,530,219,607.00	504,563,730.80	33.0
County Public Service Board	38,854,950.00	33,865,784.00	87.2
County Assembly	814,556,965.00	669,812,142.00	82.2
<b>TOTAL</b>	<b>11,518,017,572.45</b>	<b>7,699,488,582.55</b>	<b>66.9</b>

**Source:** Kwale County Treasury

### 2.2.3 An analysis of the expenditures

23. The approved county recurrent budget for FY 2018/19 improved to **Ksh 5.40 billion** from **Ksh 5.20 billion** in the previous financial year. During this period, the County Government spent a total of **Ksh 5.13 billion** on recurrent activities, translating to an absorption rate of 95.01 percent of the approved annual recurrent budget.
24. On the other hand, the county had an approved development budget of **Ksh 6.10 billion** compared to an approved development budget of **Ksh 4.11 billion** in the FY2017/18. Actual development expenditure for the review period amounted to **Ksh 2.49 billion**, representing an absorption capacity of 41 percent of the total approved annual development budget.
25. The figure below illustrates the annual trend analysis of absorption rates over the period from FY 2013/2014-FY 2018/2019. The table depicts higher absorption rates on recurrent expenditures compared to development expenditures.

**Figure 5: Absorption rates for recurrent and development expenditures FY 2013/14-2018/19**



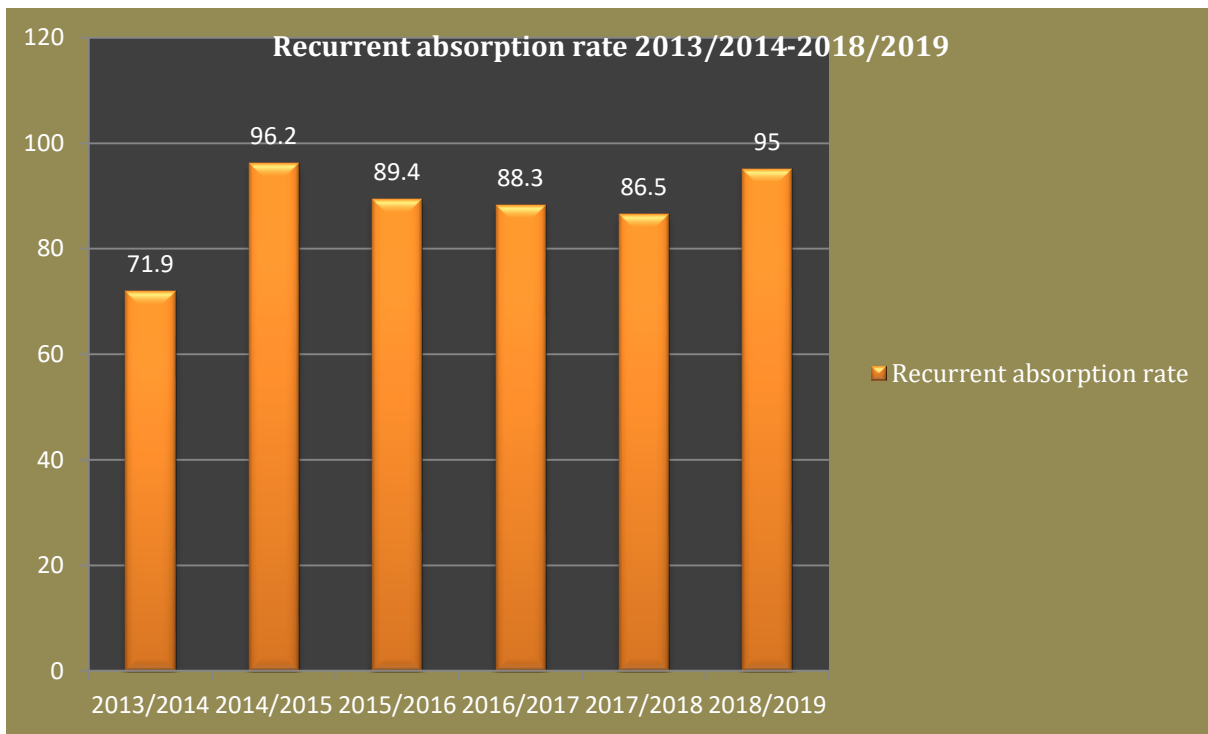
Source: Kwale County Treasury

**26.** For this financial year, the late disbursement of funds from the national exchequer together with the changes in the tendering procedures as a result of introduction of the new e-procurement system has been the major challenge in the budget execution of development programs. Funds were released few months to closure of financial year making it impossible to be absorbed, therefore carrying over of the funds to the next financial year as commitments hence leading to another challenge of managing pending bills

**2.2.3.1 Recurrent Expenditure**

27. The County Government spent a total of **Ksh 5.13 billion** on recurrent activities which translates to an absorption rate of **95 percent** of the approved annual recurrent budget. This indicates an improvement in the absorption capacity on recurrent budget compared to **86.54** percent absorption rate recorded in the previous financial year 2017/18. The figure below provides an overview of absorption capacities for recurrent budgets from FY2013/2014-2018/2019.

**Figure 6: Recurrent absorption rates from FY 2013/2014-FY 2018/2019**



Source: Kwale County Treasury

**2.2.3.2 Departmental Expenditure Analysis FY 2018/19**

28. The County Department of Executive services and the County Assembly reported the highest absorption capacity on recurrent budget at 100 and 99 percent respectively, Environment and natural resources being the lowest with 51 percent.

**Table 8: Analysis of recurrent expenditure by county department for FY 2018/2019**

DEPARTMENT	RECURRENT BUDGET 2018/2019		
	Approved Estimates (Net)	Actual Expenditure	Absorption Capacity (%)
County Executive Services	173,938,676.00	173,234,637.15	100
Public Service & Administration	174,988,659.00	163,222,033.00	93
Finance & Economic Planning	877,207,734.45	816,551,493.75	93
Agriculture, Livestock & Fisheries	179,806,608.00	170,611,105.00	95
Education, Research and HR Development	802,328,703.00	786,359,466.00	98
Medical & Public Health Services	1,985,328,747.00	1,909,108,109.00	96
Trade, Investment & Cooperatives	61,329,419.00	56,691,005.00	92
Tourism & ICT	53,359,355.00	50,863,082.00	95
Social Services & Talent Management	139,646,914.00	121,047,273.00	87
Roads & Public Works	140,331,078.15	132,772,556.00	95
Environment & Natural Resources	104,482,441.00	53,781,952.00	51
Water Services	82,343,474.00	76,445,384.00	93
County Public Service Board	38,388,829.00	33,399,663.00	87
County Assembly	584,760,053.00	578,547,582.00	99
<b>TOTAL</b>	<b>5,398,240,690.60</b>	<b>5,122,635,340.90</b>	<b>95</b>

Source: *Kwale County Treasury*

### 2.2.3.3 Personnel Emoluments

29. The County Government had an approved annual budget for personnel emoluments of **Ksh 2.81 billion**, representing **24.37 percent** of the approved annual County Budget. The county spent a total of **Ksh 1.812 billion** on salaries and wages during the review period, translating to an absorption capacity of **64.6 percent** of the approved annual budget on personnel emoluments.

30. The County Department of Executive services recorded the highest absorption rate on personnel emoluments budget at **121 percent**. Others were the department of Education

31. Departments that reported the lowest absorption rates on personnel emoluments were Health services at **24.4 percent**, environment and natural resources at **90.5 percent**, Trade and Cooperative development at **96 percent** and the department of Water services at **96 percent**.

**Table 9: Overview of personnel emoluments by County departments for FY 2018/2019**

DEPARTMENT	PERSONNEL EMOLUMENTS BUDGET 2018/2019		
	Approved Estimates (Net)	Actual Expenditure	Absorption Capacity (%)
County Executive Services	55,614,988.00	67,566,208.40	<b>121.5</b>
Public Service & Administration	109,712,594.00	109,309,662.00	<b>99.6</b>
Finance & Economic Planning	434,837,046.00	429,798,432.00	<b>98.8</b>
Agriculture, Livestock & Fisheries	135,859,608.00	135,486,373.00	<b>99.7</b>
Education, Research and HR Development	321,521,907.00	321,380,879.00	<b>100.0</b>
Medical & Public Health Services	1,315,042,098.00	321,380,879.00	<b>24.4</b>
Trade, Investment & Cooperatives	17,013,136.00	16,329,059.00	<b>96.0</b>
Tourism & ICT	18,514,673.00	18,479,100.00	<b>99.8</b>
Social Services & Talent Management	29,222,893.00	29,020,609.00	<b>99.3</b>
Roads & Public Works	63,054,398.00	62,509,654.00	<b>99.1</b>
Environment & Natural Resources	24,098,261.00	21,810,888.00	<b>90.5</b>
Water Services	20,859,720.00	20,133,352.00	<b>96.5</b>
County Public Service Board	18,389,750.00	18,596,596.00	<b>101.1</b>
County Assembly	243,036,971.00	240,283,842.00	<b>98.9</b>
<b>TOTAL</b>	<b>2,806,778,043.00</b>	<b>1,812,085,533.40</b>	<b>64.6</b>

Source: Kwale County Treasury

32. An analysis of the personnel emoluments over the years indicates an increasing wage bill. During the first MTEF period 2013/14 – 2018/19, the wage bill rose from **Ksh 824.9 Million** in FY 2013/2014 to **Ksh 1.812 Billion** in FY 2018/2019. This translates to an increase in wage bill against total expenditures. Given the threshold of 35 per cent, this poses a big challenge which needs to be addressed by establishing optimal staffing structure to sustain the wage bill.



#### 2.2.3.4 Operations and Maintenance

33. The County Government's approved annual budget for Operations and Maintenance (O&M) stood at **Ksh 2.59 billion**, accounting for **22.50 percent** of the total approved annual budget for FY2018/19. This represents a slight decline in allocation compared to a proportion of **27.47** percent in the previous period FY2017/2018.

34. On the other hand, the county spent a total of **1.65 billion** on operation and maintenance activities against **Kshs. 2.03** billion spent during the same period in FY2017/18. This represents an absorption capacity of **63.81** percent on the approved annual O&M budget.

35. From the table given below, the County Department of County Assembly and Tourism, investment and ICT recorded the highest absorption rate of the O&M budget at 98.99 percent and **89.86 percent**. Others that posted higher absorption rates were Roads and public works at 89.14 percent.

36. The departments that recorded lowest absorption rates were the Department of Community Development, Culture and Talent Management at 54.82 percent, Department of County Executive Services at 29.94 percent and the department of education at 11.23 percent.

**Table 10: Analysis of expenditure on operations and maintenance by Department in 2018/ 2019**

DEPARTMENT	OPERATIONS AND MAINTENANCE BUDGET FY2018/19		
	Approved Estimates (Net)	Actual Expenditure	Absorption Capacity
County Executive Services	118,323,688.00	89,611,468.75	75.73
Public Service & Administration	65,276,065.00	-	0.00
Finance & Economic Planning	442,370,688.45	352,156,057.00	79.61
Agriculture, Livestock & Fisheries	43,947,000.00	34,945,132.00	79.52
Education, Research and HR Development	480,806,796.00	54,001,618.00	11.23
Medical & Public Health Services	670,286,649.00	496,085,479.40	74.01
Trade, Investment & Cooperatives	44,316,283.00	38,671,926.85	87.26
Tourism & ICT	34,844,682.00	31,309,848.25	89.86
Social Services & Talent Management	110,424,021.00	60,535,972.00	54.82
Roads & Public Works	77,276,680.15	68,881,902.75	89.14
Environment & Natural Resources	80,384,180.00	24,065,414.15	29.94
Water Services	61,483,754.00	51,851,631.85	84.33
County Public Service Board	19,999,079.00	13,300,557.00	66.51
County Assembly	341,723,082.00	338,263,740.00	98.99
<b>TOTAL</b>	<b>2,591,462,647.60</b>	<b>1,653,680,748.00</b>	<b>63.81</b>

Source: Kwale County Treasury

### 2.3 Development Expenditure

37. During the review period, the county had an approved annual development budget of **Ksh 6.12 billion** accounting for **53.13 percent** of the approved county annual budget. During this period, a total of **Ksh 2.5 billion** was spent on various development programmes and projects, representing an absorption capacity of **41 percent** on the approved annual development budget for FY2018/19.

**Table 11: Analysis of development expenditure for FY 2018/2019**

DEPARTMENT	DEVELOPMENT BUDGET 2018/12019		
	Approved Estimates (Net)	Actual Expenditure	Absorption Capacity (%)
County Executive Services	107,087,044.00	47,016,685.00	44
Public Service & Administration	60,160,494.00	39,885,607.00	66
Finance & Economic Planning	46,779,566.00	21,473,965.80	46
Agriculture, Livestock & Fisheries	441,370,834.00	152,262,980.15	34
Education, Research and HR Development	1,091,162,250.00	523,693,500.00	48
Medical & Public Health Services	1,097,530,831.00	559,838,143.00	51
Trade, Investment & Cooperatives	216,184,601.00	69,731,488.30	32
Tourism & ICT	109,714,118.00	72,678,671.00	66
Social Services & Talent Management	255,053,951.00	79,416,430.00	31
Roads & Public Works	784,527,186.85	360,743,942.60	46
Environment & Natural Resources	232,066,840.00	130,262,801.00	56
Water Services	1,447,876,133.55	428,118,347.15	30
County Public Service Board	466,121.00	466,121.00	100
County Assembly	229,796,912.00	85,052,089.00	37
<b>TOTAL</b>	<b>6,119,776,882.40</b>	<b>2,570,640,771.00</b>	<b>42</b>

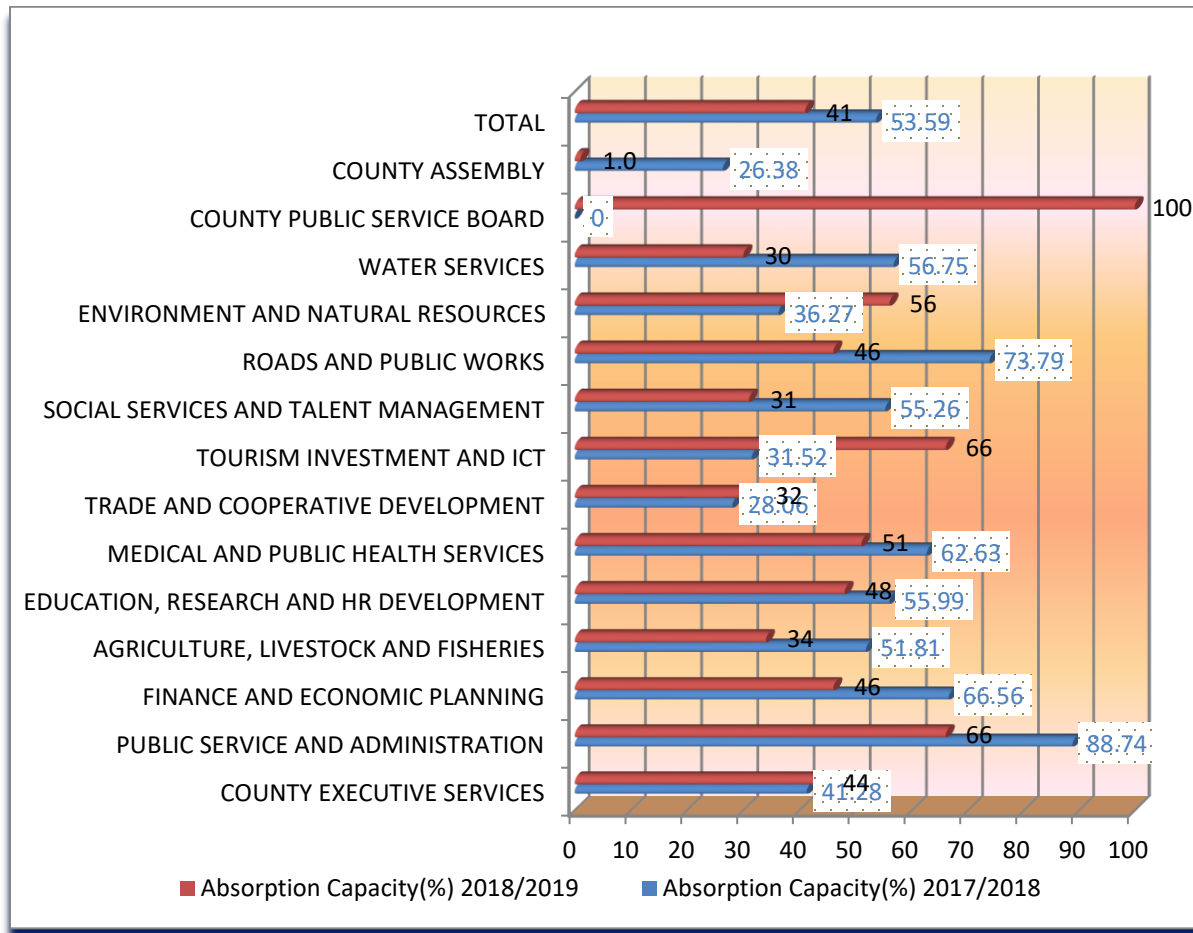
Source: Kwale County Treasury

38. Comparative analysis of the absorption rates on departmental development budgets reveals that the Department of County public service board, Public Service and Administration and

Tourism recorded the highest absorption rate of 100percent, 66 percent and 66 percent respectively.

39. Departments that recorded lower absorption rates were: Water services (30%), Social services (31%) and Trade and Cooperative development (32%) respectively.

**Figure 7: Development Expenditure Absorption rate for FY 2017-2018 and FY 2018-2019**



Source: Kwale County Treasury 2019

## 2.4 Overall Balance and Financing

**40.** Based on the analysis of actual performance on revenue and expenditure, the overall fiscal balance amounted to Ksh 2,333,937,651.00 over the period under review. This was mainly due to an under spending of Ksh 424.7 Million and Ksh 1.91 Billion in recurrent and development budgets respectively due to the delays in the disbursement of funds from the National exchequer. The amount will be carried forward in the form of supplementary budget in the FY2019/2020 budget.

## **2.5 Implications of 2018/19 fiscal performance on fiscal responsibility principles**

**41.** The fiscal performance of the FY 2018/2019 has a bearing on the financial objectives adopted in the February CFSP 2019 and its subsequent budget for FY 2019/2020. The following observations have been made: -

- i) Based on the performance of revenue and expenditure projections for the last financial years, own source revenue forecasts for have been pegged at Ksh **325 Million** which is about **3.2 percent increment** to the actual performance of the previous financial year FY 2018/2019.
- ii) County departments have recorded different absorption capacities during the period under review. This will in turn, distort the approved budget ceilings as set out in the 2019 CFSP as amount rolled over to the current financial year by the department will increase their total budgets which are different from those adopted in the CFSP. However, these changes will be incorporated in the upcoming Supplementary Budget estimates towards the end of second quarter of FY 2019/2020 and also in the February 2020 CFSP.
- iii) Balance carried forward as income from previous financial year has been an issue of concern over the years due to overestimation of commitments on programmes. Proper scrutiny of balances carried forward as commitments in the budget shall be undertaken to ensure their accuracy.

**42.** The expenditure performance still meets the spirit of the PFM Act, 2012 Section 107 on fiscal responsibility principles. That is:

- i) The county government's recurrent expenditure shall not exceed the county government's total revenue. Total recurrent expenditure for FY 2018/2019 amounted to Kshs 5.1 billion which was below the total county government revenue of Kshs 9.32 billion.
- ii) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to development expenditure. In the FY 2018/2019 budget development expenditure was allocated Kshs 6.11 billion which was 53.10 percent of the budget.
- iii) The county government's expenditure on benefits and wages for its public officers shall not exceed a percentage of the county government's total as proposed by the County Executive Member for Finance and approved by the County Assembly. The share of the personnel emoluments to our total revenue reduced significantly to 28.22 percent from 33.9 percent in the previous financial year 2017/2018. The county's medium term strategy is to maintain it at 25 percent.
- iv) Over the medium term, the county government borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure. The county government has always been committed to ensuring a balanced annual budget.
- v) Fiscal risks shall be managed prudently. The county government shall study the macroeconomic forecasts issued by the National Government and utilize them for projections in the 2020/2021 MTEF budget. To cater for urgent and unforeseen expenditure, a 2 percent of our revenue allocation will be put aside to cater for any fiscal risks such as emergencies.
- vi) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future. Total local revenues were **Kshs.325.20 Million** against an annual target of **Kshs. 303**

**Million** representing 103.9 percent performance. This achievement demonstrates an improved forecasting rationale in comparison with the similar period in 2017/18.

## **CHAPTER THREE: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK**

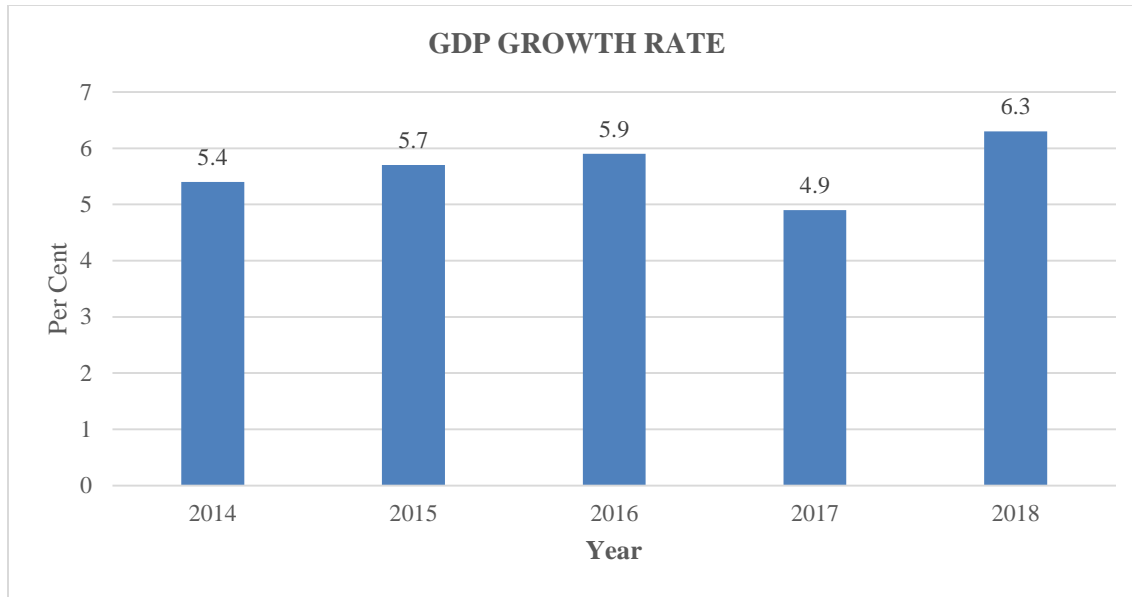
### **3.0 Overview**

#### **3.1 Domestic Economy**

##### **3.1.1 Economic Growth**

**43.** The Kenya's economy recovered from the effects of the persistent drought experienced in 2017 coupled with uncertainties associated with general elections held in the same period. Real Gross Domestic Product (GDP) is estimated to have expanded by 6.3 per cent in 2018 compared to 4.9 per cent in 2017. The growth was attributable to increased agricultural production, accelerated manufacturing activities, sustained growth in transportation and vibrant service sector activities. Agricultural activities benefited from sufficient rains that were well spread throughout the country. Similarly, the increased precipitation was a significant boost to electricity generation and consequently favorable to growth during the review period. The growth realized was anchored on a relatively stable macroeconomic environment with the various macroeconomic fundamentals remaining supportive of growth for the better of the year.

#### **Figure 8: GDP Growth Rates for Kenyan Economy 2014-2018**



Source: Economic Survey 2019

### 3.1.2 Macroeconomic Stability

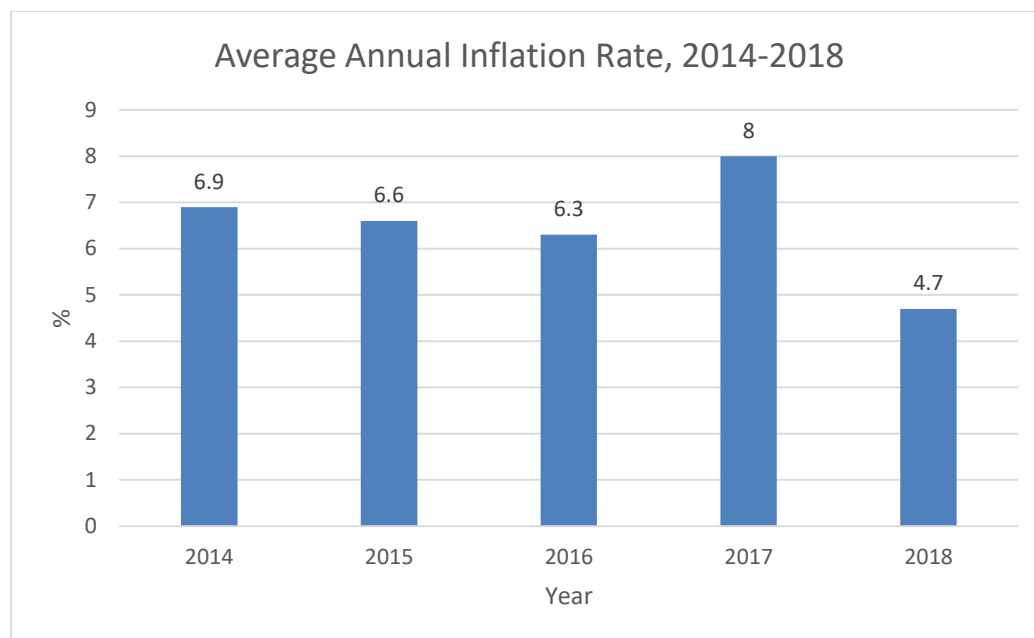
#### Inflation

44. Inflation remained low at 4.7 per cent in 2018 compared to 8.0 per cent in 2017 majorly as a result of considerable decline in prices of food after the shortage experienced in 2017. The current account deficit narrowed to stand at Ksh 441.8 billion in 2018 compared to Ksh 503.4 billion in 2017 mainly due to a faster growth of imports of goods and services. The Nairobi Securities Exchange (NSE) 20-Share index dropped to 2,834 points in December 2018 from 3,712 points in December 2017. The performance was also manifested in the increased uptake of credit facilities across most sectors of the economy.

45. Kenya’s annual inflation rate increased to 6.27 percent in July of 2019 from 5.70 percent in the previous month, below market expectations of 6.6 percent. Still, it was the highest inflation since April.

**Figure 9: Average Annual inflation rate 2014-2018**





Source: *Economic Survey 2019*

### 3.2 National Fiscal performance

**46.** In 2018/19, the overall expenditure by the National Government is expected to grow by 17.8 per cent to Ksh 3,033.6 billion. In the review period, recurrent and development expenditure is estimated at Ksh 2,392.1 billion and Ksh 641.5 billion, respectively. Total revenue is expected to grow by 20.8 per cent to Ksh 1,886.0 billion in 2018/19. Total ordinary revenue is estimated at Ksh 1,838.5 billion in 2018/19, of which tax revenue category is expected at Ksh 1,621.7 billion, accounting for 88.2 per cent of the total ordinary revenue during the same period. As at the end of June 2018, the total stock of public debt stood at Ksh 4,537.6 billion, of which external debt accounted for 56.6 per cent. In the review period, a total of Ksh 856.6 billion has been allocated towards debt servicing charges.

**47.** In 2018/19, county governments are expected to spend a total of Ksh 459.5 billion, against estimated total revenue of Ksh 422.8 billion. In the same period, current transfers from National Government to county governments inclusive of conditional grants, is estimated to grow by 7.8 per cent to Ksh 372.7 billion.

48. Total revenue is expected to grow by 20.8 per cent to Ksh 1,886.0 billion in 2018/19. In the same period, total expense is estimated to grow by 14.9 per cent to Ksh 2,319.5 billion, while spending on acquisition of non-financial assets (net) is estimated to grow by 9.2 per cent to Ksh 209.7 billion. Gross operating balance is estimated to improve by 5.2 per cent to a deficit of Ksh 433.5 billion in 2018/19. Similarly, the net borrowing is also estimated to improve marginally to a deficit of Ksh 643.2 billion over the same period

### **3.2.1 Performance of Selected Economic Sectors**

#### **Agriculture, Forestry and Fishing**

49. The sector's growth accelerated from a revised growth of 1.9 per cent in 2017 to 6.4 per cent in 2018. The growth was mainly driven by marked improvement in crops and animal production that benefited significantly from the sufficient rains during the period under review. Increased supply of food crops was mirrored in significant drop in prices of key food crops during the review period. The quantities of key food crops such as maize, irish potatoes and vegetables increased notably in 2018 compared to depressed performances reported in 2017.

50. Performance of the sector was further supported by significantly improved performances in other agricultural subsectors. Production of tea grew by 12.1 per cent to stand at 493.0 thousand tonnes in 2018 compared to a 7.0 per cent decline recorded in 2017. Similarly, the sector's performance was buoyed by increased production of coffee from 38.6 thousand tonnes in 2017 to 41.4 thousand tonnes in 2018. In the sugar cane sub-sector, improved performance was reflected in the quantity of cane delivered to millers which rose by 7.0 per cent to stand at 5.3 million tonnes in 2018. Horticultural activities remained robust in 2018, though growths in output of the respective crops were relatively slower than in 2017. Specifically, the volume of cut flowers exported rose marginally while that of fruits grew by

32.7 per cent in 2018. However, the quantity of vegetables exported decreased by 1.6 per cent in the period under review.

**51.** During the review period, there was a rebound in dairy activities after the contraction registered in 2017. The volume of milk deliveries to processors increased by 18.4 per cent from 535.7 million litres in 2017 to 634.3 million litres in 2018 mainly supported by sufficiency in fodder and pastures owing to adequate and well spread long rains throughout the country.

### **Manufacturing**

**52.** The manufacturing real value added increased by 4.2 per cent in 2018 compared to a growth of 0.5 per cent in 2017. The manufacturing output volume expanded by 5.1 per cent in 2018 from a revised contraction of 0.8 per cent in 2017. This was mainly on account of increase in production of dairy products, tea, coffee and sugar due to favourable weather conditions. However, the plastic products, wood and other products of wood, and other non-metallic mineral products subsectors registered declines in the review period.

**53.** The Producer Price Index (PPI), which excludes the Value Added Tax (VAT) and transport cost of the finished products, increased by 0.9 per cent in 2018 mainly due to increase in prices of wood and products of wood and cork except furniture; and chemicals and chemical products. Formal employment in the manufacturing sector increased by 1.4 per cent to 307,592 persons in 2018 accounting for 11.1 per cent of the total formal employment. The number of local employees working in Export Processing Zone (EPZ) enterprises rose from 54,764 persons in 2017 to 56,945 persons in 2018. Credit advanced to the Sector by commercial banks and industrial financial institutions rose from Ksh 315.3 billion in 2017 to Ksh 335.7 billion in 2018.

### **Construction**

**54.** The construction sector expanded by 6.3 per cent in 2018 from a revised growth of 8.5 per cent recorded in 2017. Expenditure on roads is expected to rise by 23.0 per cent to Ksh 195.1 billion in

2018/19, of which Ksh 128.4 billion is to be spent on construction of new roads. Loans and advances from commercial banks to the construction sector grew slightly by 1.8 per cent from Ksh 112.0 billion in 2017 to Ksh 114.0 billion in 2018, reflecting a slowdown in the construction sector. Wage employment in the sector grew by 2.2 per cent from 167.9 thousand persons in 2017 to 171.6 thousand persons in 2018. The approved Government expenditure on housing in 2018/19 is expected to increase by 57.3 per cent to Ksh 29.0 billion to finance housing flagship projects.

### **Environment and Natural Resources**

**55.** The Gross Value Added from the environment and natural resources sector increased to Ksh 287.2 billion in 2018 from Ksh 254.8 billion registered in the previous year. The total value of minerals increased by 5.9 per cent to Ksh 30.4 billion in the review period. The export price of Soda Ash increased by 9.4 per cent from Ksh 20,694 in 2017 to Ksh 22,642 per tonne in 2018 while export price per tonne of titanium ore and its concentrates rose by 5.5 per cent to Ksh 27,249 in 2018. The value of fish landed rose by 4.5 per cent to Ksh 24.0 billion in 2018. The value of fish from fresh water sources, which accounted for 81.0 per cent of the total value of fish rose from Ksh 18.6 billion in 2017 to Ksh 19.4 billion in the year under review.

**56.** The National Government expenditure on water supplies is expected to rise by 46.3 per cent to Ksh 53.4 billion in 2018/19. Expenditure on Water Development is expected to almost double from Ksh 22.5 billion in 2017/18 to Ksh 43.1 billion in 2018/19. The Government forest plantations stocking increased from 135.1 thousand hectares in 2017 to 141.6 thousand hectares in 2018. The total number of Environmental Impact Assessments (EIAs) increased by 33.3 per cent from 1,842 in 2017 to 2,456 in 2018. Most parts of the country experience heavy rainfall during the year with all the meteorological stations recording Total Rainfall (TOT) above their Long-Term Means (LTMs).

### **Energy Sector**

**57.** During the review period, the total import bill of petroleum products increased to Ksh 327.8 billion. Similarly, the total value of petroleum products exported, including re-exports, increased by 7.5 per cent to Ksh 38.8 billion in 2018. Total installed electricity capacity increased from 2,339.9 MW in 2017 to 2,711.7 MW in 2018. Total electricity demand increased by 7.9 per cent to 11,182.0 GWh in 2018 compared to 10,359.9 GWh in 2017. Domestic demand for electricity increased from 8,410.1 GWh in 2017 to 8,702.3 GWh in 2018. There was additional electricity

generation of 360 MW to the grid from Lake Turkana Wind Power Project (310 MW) and Garissa Solar Power Project (50MW). The Early Oil Pilot Scheme started producing 2000 Barrels per day (bbl/d) from Ngamia and Amosing fields in 2018.

### **The Tourism Sector**

**58.** The tourism sector registered an improved performance in 2018 compared to 2017. The number of international visitor arrivals increased by 14.0 per cent from 1,778.4 thousand in 2017 to 2,027.7 in 2018. The improved performance may be attributed to stable political environment, withdrawal of travel advisories, improved security and investor confidence in the country.

**59.** The number of hotel bed-nights increased by 20.1 per cent from 7,174.2 thousand in 2017 to 8,617.9 thousand in 2018. The number of international conferences held expanded by 6.8 per cent to 204 in 2018 compared to 191 in 2017. This was boosted by high profile international conferences held in the country and visits by foreign dignitaries during the review period. Visitors to national parks and game reserves rose by 20.3 per cent to 2,868.9 thousand in 2018. Overall, the sector recorded an increase in tourism earnings from Ksh 119.9 billion in 2017 to Ksh 157.4 billion in 2018.

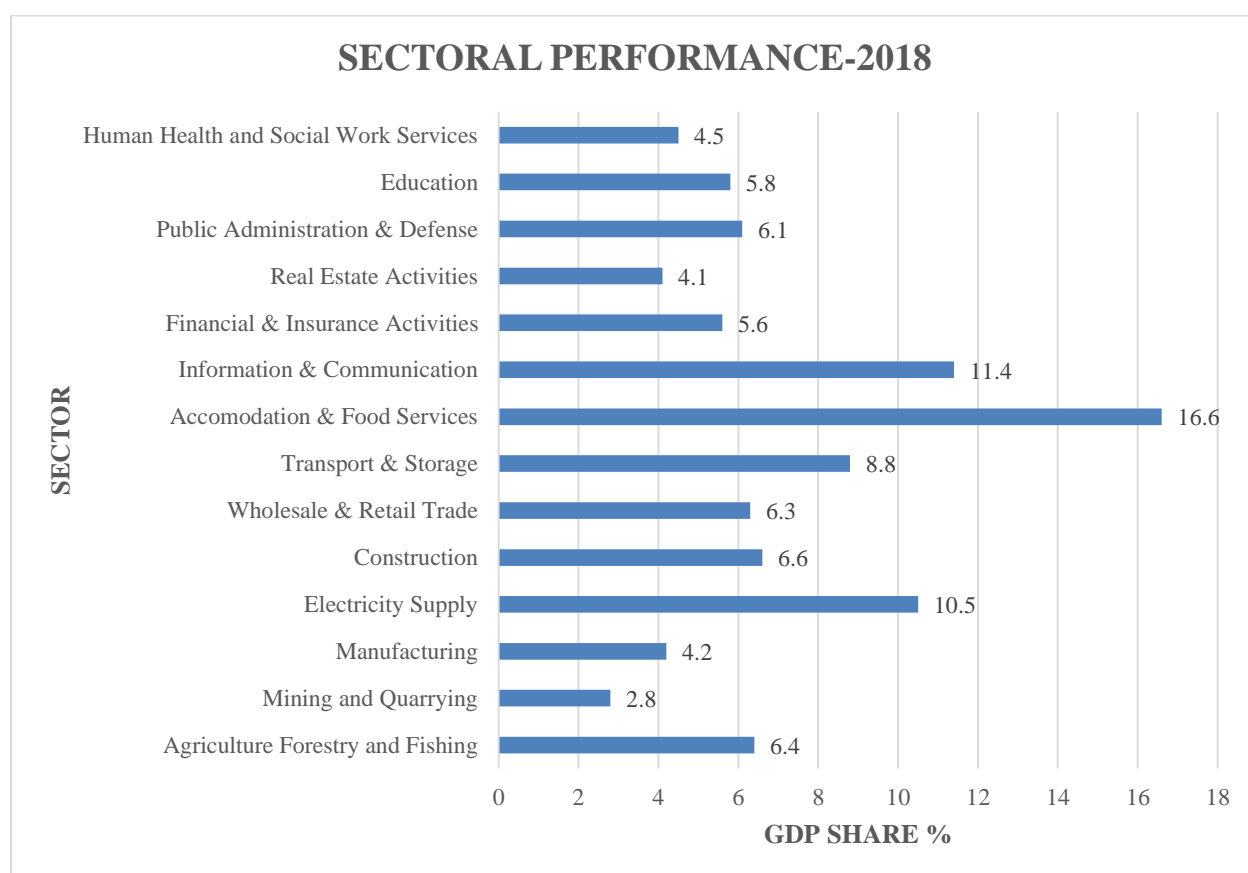
### **Information and Communication Technology**

**60.** The value of Information and Communication Technology sector expanded by 12.9 per cent from Ksh 345.6 billion in 2017 to Ksh 390.2 billion in 2018 driven by growth in the digital economy. Mobile cellular penetration rate per 100 inhabitants improved from 91.89 in 2017 to 103.45 in 2018. Cable TV and Direct to home satellite subscriptions increased significantly to 169.7 thousand, and 1.1 million in 2018, respectively.

**61.** The total number of mobile transceivers grew by 16.9 per cent from 184,149 in 2017 to 215,276 in 2018 with the number of fourth generation (4G) technology mobile transceivers almost doubling from 3,873 in 2017 to 7,469 in 2018. International telephone traffic declined from 1,056.7 million minutes in 2017 to 1,037.4 million minutes in 2018. Mobile telephony subscriptions increased by 15.6 per cent from 42.8 million in 2017 to 49.5 million in 2018. Total transfers through mobile money grew by 9.5 per cent from Ksh 3,638 billion in 2017 to KSh 3,984 billion in 2018 while mobile money subscriptions increased marginally from 30.0 million in 2017 to 31.6 million in

2018. The value of mobile commerce transactions increased by 87.2 per cent to Ksh 6,077 billion in 2018.

**Figure 10: Kenya’s Sectoral Performance in 2018**



*Source: KNBS, Economic Survey, 2019*

### 3.3. Kenya's Macroeconomic Outlook 2019

- 62.** 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 forecasts indicate 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 impact could be experienced in industries that have strong interlinkages with these sectors. However, activities of the tourism sector are likely to remain vibrant supported by strong expansion in tourists' arrivals. The construction industry is expected to follow the current trend given the ongoing infrastructural development by the government as well as the prevailing private sector confidence.
- 63.** 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.
- 64.** 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.
- 65.** On the demand side, growth is likely to be driven by both the public consumption as well as private sector investment. Public consumption is projected to be underpinned by the ongoing development in infrastructure. Private consumption might not expand as rapidly as that of public, but is likely to remain robust in 2019 and therefore supportive of growth, while business confidence should remain strong enough to back up expansion in investment. Exports are likely

to be constrained by a subdued external demand against a background of a slowdown in global trade. Overall, the economic growth is likely to slow down, but key macroeconomic indicators are likely to remain within desirable ranges throughout 2019.

### 3.4 COUNTY ECONOMIC REVIEW

#### Gross County Product (GCP) Estimates

**66.** Gross county product is conceptually equivalent to the county share of GDP. Gross domestic product is a measure of newly created value through production by resident economic agents (in this case individuals, households, businesses, establishments, and enterprises resident in Kenya). On the other hand, GCP measures newly created value through production by economic agents resident in a specific region, in this case a county. Therefore, the GCPs for the 47 counties should ideally sum up to Kenya’s GDP.

**67.** According to Kenya National Bureau of Statistics, the GCP of Kwale County was estimated to contribute a share of **1.1 percent** of GDP in 2017.. The breakdown indicates how much the county contributed to each economic activity. Intuitively, the table shows how specific economic activities contributed to the county’s economy in 2017:

**Table 12: Gross County Product of Kwale County and Sectors Contribution**

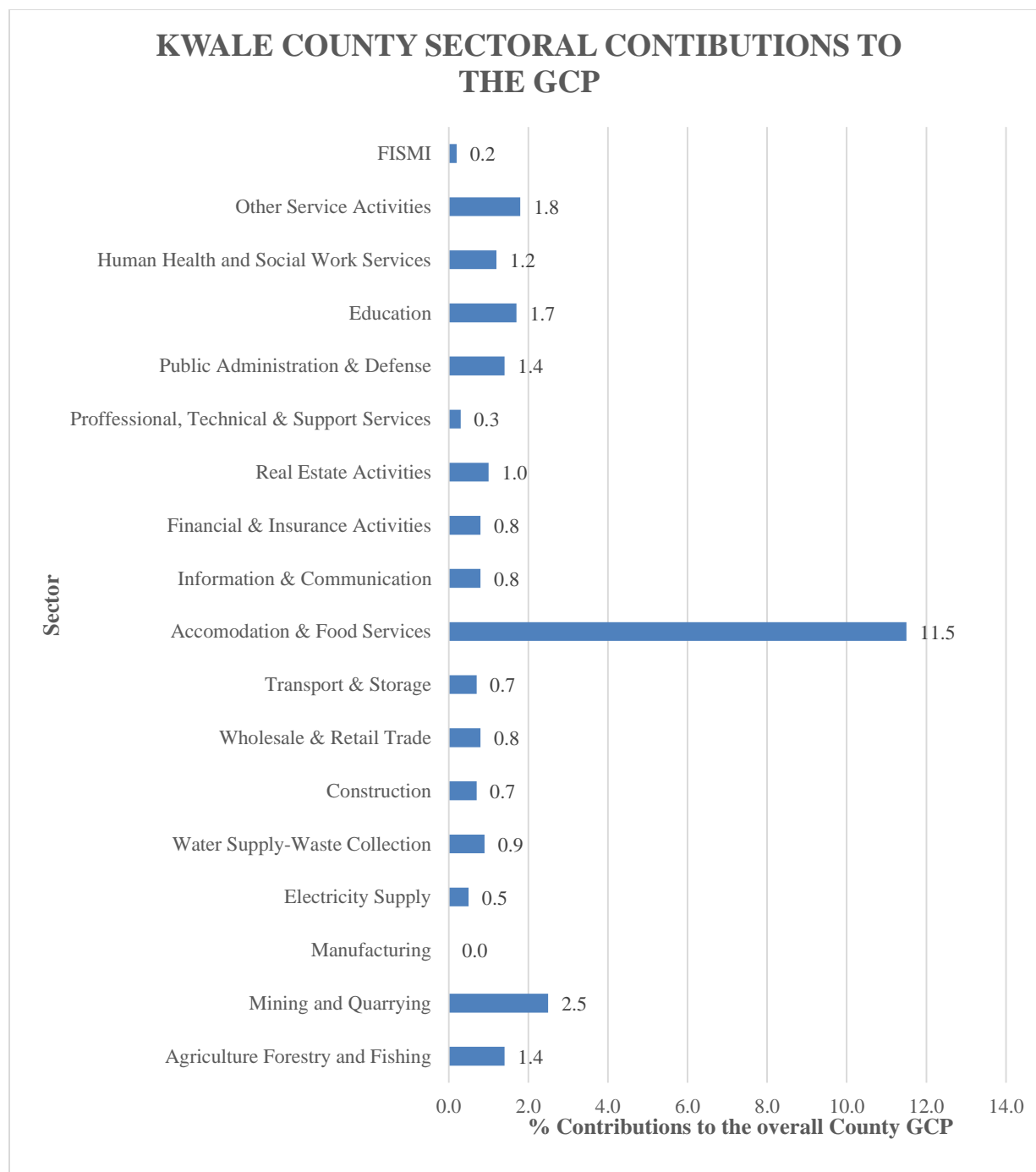
SECTOR	GCP SHARE
Agriculture Forestry and Fishing	1.4
Mining and Quarrying	2.5
Manufacturing	0
Electricity Supply	0.5
Water Supply-Waste Collection	0.9
Construction	0.7
Wholesale & Retail Trade	0.8
Transport & Storage	0.7
Accommodation & Food Services	11.5
Information & Communication	0.8



Financial & Insurance Activities	0.8
Real Estate Activities	1
Professional, Technical & Support Services	0.3
Public Administration & Defense	1.4
Education	1.7
Human Health and Social Work Services	1.2
Other Service Activities	1.8
FISMI	0.2
<b>OVERALL GCP</b>	<b>1.1</b>

*Source: KNBS, GCP Report 2019*

**Figure 11: Kwale County Sectoral Contributions to the GCP**



### Recent Economic Developments Which Will Influence the County Economy

68. There are three main ongoing projects done by the National Government in the County which positively influence the County Economy. These include:-Dongo Kundu project which passes to

our neighbouring county of Mombasa, aimed at improving movement of goods, people and services and also open up areas for development; Shimoni Port development aimed at improving trade and also have a multiplier effect in other sectors; Samburu-Kinango-Kwale road upgraded to bitumen standards will open up areas for more development.

### **County Macroeconomic Outlook Risks**

**69.** The macroeconomic outlook at the County may face the following risks:

- i. Increasing wage bill due to continued recruitment of employees in public service at the County will shrink the resources to be allocated for development. In the long-run this will impede the objective of rapid socio-economic development
- ii. Delays in the release of funds from the National Treasury poses risk to the County economic outlook. Delays often lead to late implementation of county programmes and projects. As the public expenditure on projects is delayed, contractors, suppliers and manufacturers are affected. This has the overall effect of reduced investments in the local economy and especially the building and construction sectors and others
- iii. Adverse weather conditions resulting in drought may cause inflation in food items. In severe cases this may cause starvation and hunger necessitating drought emergency services. This also has a multiplier effect on the other sectors and the productivity of labour and growth of the economy.
- iv. Lower revenue collection against the target at the National Level by the Kenya Revenue Authority may impede growth of the equitable share of income for counties. While this is the case, low local revenue collection may impact negatively in sustaining growth at the county.
- v. The county government remains cautious to the potential risks that may emanate from adverse weather conditions, lower revenue collection than the targets, shocks in the macroeconomic environment, insecurity, adverse weather conditions and the threats caused by climate change which may dampen the performance of the economy.

## **CHAPTER FOUR: RESOURCE ALLOCATION FRAMEWORK**

### **4.1 Adjustment to the 2019/20 budget**

**70.** Based on the performance of the FY 2018/2019 budget, feeble and uncertain revenue performance and fluctuating economic outlook, the risks to the FY 2019/2020 term are notable. Expenditure pressures, especially recurrent spending with respect to salary demands of the devolved units such as Health, Agriculture, Water, Roads and public works etc. pose a fiscal risk to the implementation of the current budget.

**71.** The absorption rates of the devolved funds in the various sectors of the county continues to be a source of concern, especially with regard to the delayed disbursement of funds from the national government. The delayed release of funds may be attributed to the occasional revenue bill stand-offs between the senate and the national assembly. As a result, counties continue to face serious cash flow crunches that threaten the daily operations and accumulation of huge amounts of pending bills.

**72.** Adjustment to the FY 2020/2021 budget will take into account the actual performance of expenditure so far and departmental absorption capacity in the remainder of the financial year. This is done so as to avoid over- allocation of resources to departments with low absorption capacity and/or to a non –priority expenditures. The County Government will continue with rationalization of public spending on recurrent expenses to save on scarce resources and reallocate them to development priorities. It will also ensure that there is optimum allocation of resources and that there is prudent expenditure to utilize resources efficiently and effectively.

**73.** On the revenue side, the County treasury will strive to ensure maximum revenue collection by curbing all loopholes and intensifying enforcement and compliance efforts. The ongoing automation of the county revenue collection system, capacity building of the revenue collecting officers and speedy enactment of the recent county revenue laws and finance bill 2019 will ensure reduction in revenue losses.

#### **4.2 The Medium Term Expenditure Framework**

**74.** This medium term Expenditure framework (MTEF) FY 2020/21-2022/23 is being prepared concurrently with the first supplementary budget FY 2019/2020. It is also prepared immediately after submission of the county annual development plan (CADP 2020/2021) to the county assembly for review and approval. This is in line with the constitutional requirement that the budget process should be guided by a development plan.

75. The implementation of the sector programs/projects in this medium term framework is informed by the second County Integrated Development plan (CIDP 2018-2022), The governors manifesto, Third medium term plan (MTP III), the big Four agenda, Kenya Vision 2030 and the sustainable development goals (SDGs). The plan will strengthen the implementation of the flagship projects in the county for rapid economic growth and realization of the transformation agenda.

76. Major projects/ Programs to be implemented in this plan include improvement of education to create a robust and skilled workforce. This will be achieved through projects such as establishment of ECDE centers and VTCs in the county. To ensure adoption of quality education, the county intends to construct an ECDE teachers training college at Puma ward, which is one of the county flagship projects.

77. The county will also invest heavily in infrastructural development, including rehabilitation and opening up of county access roads, improvement of water supply systems, establishment of industrial plants, rehabilitation/or construction of markets and enhancement of county electrification. The major infrastructural projects include the tarmacking of Kona Ya Musa – Mabokoni-Kona Masai road 2.0 km in Diani zone and Mkilo-Kalalani road 2.0km in Mwavumbo ward. The county will also embark on improvement and construction of water supply systems such as completion of Mwakalanga Dam and its pipeline supply systems, Kizingo dam and Kazamoyo dams which all fall under the county flagship projects.

78. On matters healthcare services, the county will continue to guarantee access to universal healthcare through improved services and health insurance covers for all. An oncology center is bound to be established which will boost in diagnosis of cancer and any other cancer-related illnesses.

79. Under the Annual Development Plan FY 2020/2021, the County Government intends to enhance food security through expansion of food and agricultural production. The county will achieve this through farm mechanization, strengthening extension services, livestock development and promotion of the blue economy.

#### **4.3 FY 2020/2021 Budget Framework**

**80.** The FY 2020/2021 budget framework is set against the background of the updated medium-term macro-fiscal framework set above. Kenya's real gross domestic product is projected to grow by 5.7 percent in 2019, a slight decrease from the estimated 5.8 percent growth experienced in 2018, according to the new World Bank Kenya Economic Update. While the medium-term growth outlook is stable, the report notes that recent threats of drought and continued subdued private sector investment could drag down growth in the near-term. The growth forecast for 2020 stands at 5.9 percent.

**81.** Growth in 2018 was driven by favorable harvests, a resilient services sector, positive investor confidence and a stable macroeconomic environment. Nonetheless, the demand side shows significant slack with growth driven primarily by private consumption while private sector investment remains subdued. So far in 2019, a strong pick-up in economic activity was underway for quarter one of 2019 as reflected by real growth in consumer spending and stronger investor confidence. However, a delayed start to the long rain season (March – May 2019) could affect the planting season-resulting in poor harvests. In addition, the below average short rains (October – December 2018) and the ensuing food shortages across several counties in the northern part of the country that has prompted emergency interventions, could impose unanticipated fiscal pressure constraining development spending. These developments have slowed the growth forecast for 2019.

#### **4.3.1 Revenue Projections**

**82.** The revenues for the fiscal year FY 2020/2021 will be forecasted using the actual revenue performance figures for FY 2018/2019. The ongoing automation of the county revenue collection system, capacity building of the revenue collecting officers and speedy enactment of the recent county revenue laws and finance bill 2019 will ensure efficiency in own revenue collection.

**83.** The county is expecting to collect **Ksh. 334,181,316.00** from its own revenue sources in the FY 2020/21, up from **Kshs. 325,000,000.00** in the current FY 2019/2020 approved estimates, which represent **2.82 percent** growth. The county equitable share from the National Government is forecasted at **Kshs. 8,017,300,000.00** which is **5.13 percent** improvement from the approved estimates of **Ksh. 7,626,000,000.00** in the FY 2019/2020 period. Conditional grants are expected

to be **Kshs. 822,922,831.00**. This will give anticipated total revenue of about **Ksh 9,174,404,147.00**, down from the approved estimates of Ksh. **9,220,842,555.00** in FY 2019/2020.

**84.** The Conditional grants and National Government grants and loans amounting to **Kshs. 822,922,831.00** will consist of: leasing of medical equipment (**Kshs. 131,914,894.00**), road maintenance levy (**Kshs. 221,007,937.00**), World Bank Grant for Kenya urban support program (**Kshs. 50,000,000.00**), and Water and Sanitation Development Project (**Kshs. 420,000,000.00**).

**Table 13: Resources envelope for MTEF period 2019/2020-2021/2022**

	FY 2019-2020	FY 2020-2021	FY 2021-2022
	(Kshs Million)	(Kshs Million)	(Kshs Million)
<b>Own Source Revenue</b>	<b>325,000,000</b>	<b>334,181,316</b>	<b>350,890,382</b>
<b>Equitable Share of Revenue from National Government</b>	<b>7,626,000,000</b>	<b>8,017,300,000</b>	<b>8,407,665,000</b>
<b>Sub Total</b>	<b>7,951,000,000</b>	<b>8,351,481,316</b>	<b>8,758,555,382</b>
Compensation for User Fees Forgone	15,209,593		
Leasing of Medical Equipment	131,914,894	131,914,894	131,914,894
Road Maintenance Levy	221,007,937	221,007,937	221,007,937
Development of Youth Polytechnics	59,793,298		
<b>SUB TOTAL</b>	<b>427,925,722</b>	<b>352,922,831</b>	<b>352,922,831</b>
Kenya Devolution Support Programme (KDSP)	30,000,000		
World Bank Grant for Kenya Urban Support Project	50,000,000	50,000,000	50,000,000
DANIDA Grant for Financing of County Health facilities	20,514,998		
World Bank Grant for Universal Health Care Project	103,084,030		
National Agricultural and Rural Inclusive Growth Project	147,456,921		
EU Grant for Instrument for Devolution Advice and Support	44,360,883		
Water and Sanitation Development Project (WSDP)	420,000,000	420,000,000	420,000,000
Agricultural Sector Development Support Programme	24,000,000		
<b>SUB TOTAL</b>	<b>839,416,832</b>	<b>470,000,000</b>	<b>470,000,000</b>
<b>GRAND TOTAL</b>	<b>9,218,342,554</b>	<b>9,174,404,147</b>	<b>9,581,478,213</b>

*Source: Kwale County Treasury*

The County Budget Review and Outlook Paper 2019

Table 14: County Own Source Revenue Projections FY 2020/2021

GFS CODE	REVENUE SOURCE	ACTUAL FY 2018-2019	AMOUNT FY 2020-2021
<b>1420200</b>	<b>RECEIPTS FROM ADMINISTRATIVE FEES AND CHARGES</b>		
1420206	Transit goods	2,434,252.00	2,582,274.64
<b>1520100</b>	<b>LAND RATES</b>		
1520101	Land rates - current year	27,958,336.00	29,658,433.84
1520102	Land rates penalties	11,123,124.00	11,799,501.85
1520103	Land rates Arrears(principal)	13,034,350.35	13,826,946.55
1520104	Other property charges	40,726.00	43,202.48
<b>1520200</b>	<b>BUSINESS PERMITS</b>		
1520201	Business permit- current year	68,762,500.00	72,943,828.17
1520202	Business permit- Penalties	774,020.00	821,086.81
<b>1520300</b>	<b>CESS</b>		
1520304	Wheat &Maize	168,600.00	178,852.27
1520311	Fruits & vegetables/ produce cess	5,185,247.00	5,500,552.86
1520314	Logcess	741,320.00	786,398.38
1520315	Charcoal	529,121.00	561,295.93
1520321	Livestock cess	1,972,765.00	2,092,725.41
<b>1520500</b>	<b>PLOT RENTS</b>		
1520501	Ground rent fees	2,289,964.00	2,429,212.73
1520502	Ground rent arrears	1,007,045.00	1,068,281.66
<b>1530100</b>	<b>ADMINISTRATIVE SERVICES FEES</b>		
1530101	Debts Clearance Certificate Fee	605,745.00	642,579.30
1530102	Application fee	846,431.85	897,901.90
1530104	Plot subdivision fee	80,000.00	84,864.66
1530105	Business subletting/Transfer fee	366,000.00	388,255.82
1530123	Weights and Measures	1,332,555.00	1,413,585.35
<b>1530200</b>	<b>VARIOUS FEES</b>		
1530203	Impounding charges	107,000.00	113,506.48
1530205	Tender document sale	24,000.00	25,459.40
<b>1530300</b>	<b>COUNCILS NATURAL RESOURCES EXPLOITATION</b>		
1530301	Sand, Gravel & Ballast Extraction Fees	15,213,524.45	16,138,632.44
1530321	Garbage Dumping Fees	2,537,000.00	2,691,270.56
<b>1530500</b>	<b>LEASE/RENTAL OF COUNCIL'S INFRASTRUCTURE ASSETS</b>		
1530512	Council Premises Occasional Hire (Offices, etc.)	1,048,500.00	1,112,257.46
1530521	Council Vehicles Hire (Hire of machine)	127,000.00	134,722.65
<b>1540100</b>	<b>OTHER MISCELANEOUS REVENUES</b>		
1540104	Consent fees on leasehold land	249,200.00	264,353.42
1540105	Other miscellaneous receipts	1,936,481.00	2,054,235.05
<b>1550100</b>	<b>MARKET/TRADE CENTRE FEE</b>		
1550101	Market Entrance/Gate Fee	4,476,357.00	4,748,556.49
1550101	Auction Fee	6,909,132.00	7,329,264.31
1550105	Market stalls Rent	500,651.00	531,094.72
<b>1550200</b>	<b>VEHICLE PARKING FEE</b>		
1550201	Enclosed Bus Park Fee	15,301,919.00	16,232,402.11
<b>1560100</b>	<b>HOUSING</b>		
1560101	Housing Estate Monthly Rent	2,701,526.00	2,865,801.10
<b>1580100</b>	<b>PUBLIC HEALTH SERVICES</b>		
1580112	Food preparation premises hygenization services fee	10,887,706.00	11,549,768.49
<b>1580200</b>	<b>PUBLIC HEALTH FACILITIES OPERATIONS</b>		
1580211	Health Centers services Fee	85,449,428.30	90,645,459.59
1580211	NHIF	10,417,585.00	11,051,060.25
1580241	Burial Fees	7,000.00	7,425.66
<b>1580400</b>	<b>SLAUGHTER HOUSES ADMINISTRATION</b>		
1580401	Slaughter Fees	471,377.00	500,040.62
1580402	Hide & Skin Fees	58,430.00	61,983.03
<b>1590100</b>	<b>TECHNICAL SERVICES FEES</b>		
1590112	Building plan Approval	2,703,898.00	2,868,317.34
1590121	Right-of-Way / Way-Leave Fee (KPLN, Telkom, etc.)	1,598,550.00	1,695,755.05
1590132	Signboards and Advertisement Fees	13,046,815.00	13,840,169.16
	<b>OWN SOURCE REVENUE</b>	<b>315,025,181.95</b>	<b>334,181,316.00</b>

Source: Kwale County Treasury



#### 4.3.2 Expenditure Projections

**85.** The county total overall expenditure is expected to decline to **Ksh. 9,174,404,147.00** in the period FY 2020/2021 compared to Ksh, **9,220,842,555.00** in the current FY 2019/2020 estimates. This represents a **0.5 percent** reduction in expenditure across all the sectors of the county government.

**86.** Development expenditure ceilings will be projected at **Ksh. 3,694,559,600.00** in FY 2020/2021 from Ksh. 3,937,434,710.00 in FY 2019/2020. Priority areas/departments earmarked to receive high allocations of the resources include Education, Health services, Roads and Public works and Water services.

**87.** Recurrent expenditures are expected to increase to Ksh **5,479,844,546.00** from Ksh **5,283,407,845 billion** in the current **FY 2019/2020**. Expenditure ceilings on goods and services for the sectors/departments are based on funding allocation in the FY 2019/20 budget. The ceilings will further be reduced taking into account one off expenditures in the FY 2019/20 budget and then harmonization factor of not more than **5 per cent** is applied to account for the general increase in prices.

**88.** Based on the above expenditure framework for FY2020/2021, the table below provides the tentative projected baseline ceilings for the FY 2020/2021 Budget Framework FY2019/2020–2021/22 MTEF, classified by sector.

**Table 15: Medium Term Expenditure Framework for the period FY 2019/2020 – FY 2022/2023**

SECTOR		Approved Estimates 2019/20	Ceiling 2020/21	PROJECTIONS	
				FY 2021/2022	FY 2022/23
<b>AGRICULTURE, RURAL AND URBAN DEVELOPMENT</b>	<b>TOTAL</b>	846,184,097	<b>841,423,011</b>	787,944,161	827,341,369
Agriculture, Livestock and Fisheries	Sub Total	595,946,210	460,016,748	462,017,585	485,118,464
Environment and Natural Resources Management	Sub Total	250,237,887	381,406,263	325,926,576	342,222,905
<b>ENERGY, INFRASTRUCTURE AND ICT</b>	<b>TOTAL</b>	753,252,781	<b>762,151,224</b>	564,000,451	592,200,474
Roads and Public Works	Sub Total	753,252,781	762,151,224	564,000,451	592,200,474
<b>GENERAL ECONOMIC &amp; COMMERCIAL AFFAIRS</b>	<b>TOTAL</b>	399,665,592	<b>401,318,820</b>	375,184,761	393,943,999
Trade, investment and cooperative development	Sub Total	260,895,268	241,598,067	229,527,971	241,004,369
Tourism and ICT	Sub Total	138,770,324	159,720,753	145,656,790	152,939,630
<b>HEALTH SERVICES</b>	<b>TOTAL</b>	2,501,998,638	2,501,595,868	2,530,165,022	2,656,673,274
<b>EDUCATION</b>	<b>TOTAL</b>	1,473,260,706	1,417,776,434	1,408,865,256	1,479,308,518
<b>PUBLIC ADMINISTRATION &amp; INTERNATIONAL RELATIONS</b>	<b>TOTAL</b>	1,960,916,096	<b>1,942,593,967</b>	2,200,373,665	2,310,392,348
County Assembly	Sub Total	782,345,444	785,485,319	746,062,083	783,365,188
County Executive Services	Sub Total	211,134,164	184,908,744	194,154,181	203,861,890
Public Service and Administration	Sub Total	462,405,849	452,971,400	286,567,471	300,895,844
Finance and Economic Planning	Sub Total	457,511,168	470,578,072	936,156,976	982,964,825
County Public Service Board	Sub Total	47,519,471	48,650,432	37,432,954	39,304,602
<b>SOCIAL SERVICES &amp; TALENT MANAGEMENT</b>	<b>TOTAL</b>	362,167,274	<b>357,047,862</b>	345,500,255	362,775,268
<b>WATER SERVICES</b>	<b>TOTAL</b>	923,397,371	<b>950,496,961</b>	557,021,809	584,872,900
<b>GRAND TOTAL</b>		<b>9,220,842,555</b>	<b>9,174,404,147</b>	<b>9,633,124,353</b>	<b>10,114,780,571</b>

*Source: Kwale County Treasury*

**Table 16: Provisional Expenditure Ceilings for the FY 2020/21 by Vote and Economic Classification**

<b>Vote No.</b>	<b>Vote</b>	<b>Total Ceiling FY 2020/2021</b>	<b>Development Ceiling FY 2020/2021</b>	<b>Recurrent Ceiling FY 2020/2021</b>
3061	FINANCE AND ECONOMIC PLANNING	470,578,072	20,000,000	450,578,072
3062	AGRICULTURE, LIVESTOCK AND FISHERIES	460,016,748	257,908,333	202,108,415
3063	ENVIRONMENT AND NATURAL RESOURCES	381,406,263	301,000,000	80,406,263
3064	HEALTH SERVICES	2,501,595,868	503,834,897	1,997,760,971
3065	COUNTY ASSEMBLY	785,485,319	93,000,000	692,485,319
3066	TRADE, INVESTMENT AND COOPERATIVE DEVELOPMENT	241,598,067	158,086,713	83,511,354
3067	SOCIAL SERVICES AND TALENT MANAGEMENT	357,047,862	199,843,337	157,204,525
3068	EXECUTIVE SERVICES	184,908,744	0	184,908,744
3069	EDUCATION, RESEARCH AND HR DEVELOPMENT	1,417,776,434	502,425,000	915,351,434
3070	WATER SERVICES	950,496,961	858,900,000	91,596,961
3071	ROADS AND PUBLIC WORKS	762,151,224	616,431,261	145,719,963
3072	TOURISM AND ICT	159,720,753	84,430,059	75,290,694
3073	COUNTY PUBLIC SERVICE BOARD	48,650,432	0	48,650,432
3074	PUBLIC SERVICE AND ADMINISTRATION	452,971,400	98,700,000	354,271,400
<b>GRAND TOTAL</b>		<b>9,174,404,146</b>	<b>3,694,559,600</b>	<b>5,479,844,546</b>

*Source: Kwale County Treasury*

## **CHAPTER FIVE: CONCLUSION AND NEXT STEPS**

**89.** The preparation of this 2019 CBROP has given an insight on how budget implementation in the FY 2018/2019 has impacted on the financial objectives contained in the 2019 County Fiscal Strategy Paper. More specifically, lessons learnt are geared towards improvement in revenue performance and curbing the bottlenecks which continue to impede development budget implementation. The County Treasury has stressed on the need to closely monitor the implementation of the current financial year budget through analyzing expenditures against approved budget on a quarterly basis and providing timely financial advice to County Government departments.

**90.** Based on the fiscal performance and the adjusted macroeconomic outlook, financial decisions have been made on setting of the sector/departments expenditure ceilings. These ceilings have also taken into account the priorities set out in the Annual Development Plan FY 2020/2021. The provisional ceilings and the strategic priorities shall be firmed up in the upcoming February 2020 County Fiscal Strategy Paper.

**APPENDICES**

**Appendix 1: Medium Term Recurrent Expenditure Framework for the period FY 2019/2020 – FY 2022/2023**

SECTOR		Approved Estimates 2019/20	Ceiling FY 2020/21	PROJECTIONS	
				FY 2021/2022	FY 2022/23
<b>AGRICULTURE, RURAL AND URBAN DEVELOPMENT</b>	<b>TOTAL</b>	<b>260,818,843</b>	<b>282,514,678</b>	<b>251,490,411.72</b>	<b>264,064,932.31</b>
Agriculture, Livestock and Fisheries	Sub Total	197,664,289	202,108,415	191,213,835.29	200,774,527.05
Environment and Natural Resources Management	Sub Total	63,154,554	80,406,263	60,276,576.43	63,290,405.26
<b>ENERGY, INFRASTRUCTURE AND ICT</b>	<b>TOTAL</b>	<b>136,821,520</b>	<b>145,719,963</b>	<b>148,805,962.27</b>	<b>156,246,260.38</b>
Roads and Public Works	Sub Total	136,821,520	145,719,963	148,805,962.27	156,246,260.38
<b>GENERAL ECONOMIC &amp; COMMERCIAL AFFAIRS</b>	<b>TOTAL</b>	<b>108,823,929</b>	<b>158,802,048</b>	<b>120,542,150.38</b>	<b>126,569,257.90</b>
Trade, Investment and cooperative development	Sub Total	58,483,664	83,511,354	63,536,922.13	66,713,768.23
Tourism and ICT	Sub Total	50,340,265	75,290,694	57,005,228.26	59,855,489.67
<b>HEALTH SERVICES</b>	<b>TOTAL</b>	<b>1,996,363,741</b>	<b>1,997,760,971</b>	<b>2,139,649,019.33</b>	<b>2,246,631,470.29</b>
<b>EDUCATION</b>	<b>TOTAL</b>	<b>911,042,408</b>	<b>915,351,434</b>	<b>881,319,005.63</b>	<b>925,384,955.91</b>
<b>PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS</b>	<b>TOTAL</b>	<b>1,639,416,096</b>	<b>1,730,893,967</b>	<b>1,978,088,664.66</b>	<b>2,076,993,097.89</b>
County Assembly	Sub Total	689,345,444	692,485,319	648,412,083.44	680,832,687.61
County Executive Services	Sub Total	134,634,164	184,908,744	194,154,180.91	203,861,889.95
Public Service and Administration	Sub Total	350,405,849	354,271,400	182,932,470.51	192,079,094.03
Finance and Economic planning	Sub Total	417,511,168.	450,578,072	915,156,975.73	960,914,824.51
County Public Service Board	Sub Total	47,519,471	48,650,432	37,432,954.08	39,304,601.79
<b>SOCIAL SERVICES AND TALENT MANAGEMENT</b>	<b>TOTAL</b>	<b>154,323,937</b>	<b>157,204,525</b>	<b>135,664,751.31</b>	<b>142,447,988.87</b>
<b>WATER SERVICES</b>	<b>TOTAL</b>	<b>75,797,371.00</b>	<b>91,596,961</b>	<b>85,676,809.05</b>	<b>89,960,649.50</b>
<b>GRAND TOTAL</b>		<b>5,283,407,845</b>	<b>5,479,844,546</b>	<b>5,741,236,774.35</b>	<b>6,028,298,613.07</b>

Source: Kwale County Treasury

**Appendix 2: Medium Term Development Expenditure Framework for the period FY 2019/2020 – FY 2022/2023.**

SECTOR		Approved Estimates FY 2019/20	Ceiling FY 2020/21	PROJECTIONS	
				FY 2021/22	FY 2022/23
<b>AGRICULTURE, RURAL AND URBAN DEVELOPMENT</b>	<b>TOTAL</b>	<b>585,365,254</b>	<b>558,908,333</b>	<b>536,453,749.65</b>	<b>563,276,437.13</b>
Agriculture, Livestock and Fisheries	Sub Total	398,281,921	257,908,333	270,803,749.65	284,343,937.13
Environment and Natural Resources Management	Sub Total	187,083,333	301,000,000	265,650,000.00	278,932,500.00
<b>ENERGY, INFRASTRUCTURE AND ICT</b>	<b>TOTAL</b>	<b>616,431,261</b>	<b>616,431,261</b>	<b>415,194,489.15</b>	<b>435,954,213.61</b>
Roads and Public Works	Sub Total	616,431,261	616,431,261	415,194,489.15	435,954,213.61
<b>GENERAL ECONOMIC, COMMERCIAL &amp; AFFAIRS</b>	<b>TOTAL</b>	<b>290,841,663</b>	<b>242,516,772</b>	<b>254,642,610.60</b>	<b>267,374,741.13</b>
Trade, Investment and cooperative development	Sub Total	202,411,604	158,086,713	165,991,048.65	174,290,601.08
Tourism and ICT	Sub Total	88,430,059	84,430,059	88,651,561.95	93,084,140.05
<b>HEALTH SERVICES</b>	<b>TOTAL</b>	<b>505,634,897</b>	<b>503,834,897</b>	<b>390,516,003.15</b>	<b>410,041,803.31</b>
<b>EDUCATION</b>	<b>TOTAL</b>	<b>562,218,298</b>	<b>502,425,000</b>	<b>527,546,250.00</b>	<b>553,923,562.50</b>
<b>PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS</b>	<b>TOTAL</b>	<b>321,500,000</b>	<b>211,700,000</b>	<b>222,285,000.00</b>	<b>233,399,250.00</b>
County Assembly	Sub Total	93,000,000	93,000,000	97,650,000.00	102,532,500.00
County Executive Services	Sub Total	76,500,000	0.00	-	-
Public Service and Administration	Sub Total	112,000,000	98,700,000	103,635,000.00	108,816,750.00
Finance and Economic Planning	Sub Total	40,000,000	20,000,000	21,000,000.00	22,050,000.00
County Public Service Board	Sub Total	-	0.00	-	-
<b>SOCIAL SERVICES AND TALENT MANAGEMENT</b>	<b>TOTAL</b>	<b>207,843,337</b>	<b>199,843,337</b>	<b>209,835,503.85</b>	<b>220,327,279.04</b>
<b>WATER SERVICES</b>	<b>TOTAL</b>	<b>847,600,000</b>	<b>858,900,000</b>	<b>471,345,000.00</b>	<b>494,912,250.00</b>
<b>GRAND TOTAL</b>		<b>3,937,434,710.00</b>	<b>3,694,559,600</b>	<b>3,027,818,606.40</b>	<b>3,179,209,536.72</b>

Source: Kwale County Treasury