

**REPUBLIC OF KENYA**



**COUNTY GOVERNMENT OF KWALE  
COUNTY TREASURY**

**COUNTY FISCAL STRATEGY PAPER**

**FY 2017/2018**

**FEBRUARY 2017**

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## FOREWORD

This 2017 Kwale County Fiscal Strategy Paper (CFSP) is prepared in accordance with the provisions of Section 117 of the Public Finance Management Act (PFMA), 2012. The strategy paper specifies the Kwale County broad strategic priorities and policy goals which will inform the financial year (FY) 2017/18 budget and the medium term. It further gives the forecasts on revenues and expenditures and the sector spending limits as a basis for the FY 2017/18 budget and the medium term. In the preparation of this FY 2017/18 CFSP, the technical team took into account views of the public, the Commission on Revenue Allocation, the National Treasury, Office of the Controller of Budget, the Civil Society Organizations( CSOs) and other interested persons and groups.

This 2017 CFSP takes into cognizance the reality of scarce resources compared to a myriad of development challenges which continue to derail our development goals. In a bid to ensure resources are allocated to programmes with the greatest benefit to citizens, our fiscal policy aims at curtailing non-priority expenditures and shifting these resources to our development priorities thereby ensuring efficiency and effectiveness in public spending.

Over the past two years our county has experienced failed rainfall in most parts leading to prolonged drought and its devastating effects. As we strategise for the financial year 2017/18 budget and the medium term, we shall recognize the effects of climate change and put up effective measures to minimize them. The laid down strategies will be gender responsive and we will ensure that all our priorities and programmes are gender sensitive in the FY 2017/2018 budget and the medium term. We further propose far reaching policy priorities and programs which will ensure rapid transformation of the county economy and realization of Kenya's Vision 2030.

This FY 2017/18 CFSP will continue the implementation of our key strategic priorities mentioned in our county blue print- the County Integrated Development Plan 2013-2017. We have had successes in our key sectors of education, health, infrastructure, water, agriculture and others, though challenges remain. In the upcoming budget FY 2017/18 and the medium term, we will build on the successes while at the same time address the challenges which continue to impede our transformation agenda.

The preparation of this 2017 CFSP coincides with the preparation of the third Medium Term Plan( MTP III) of the Kenya Vision 2030 for the period 2018 -2022.It is thus imperative to link the county policy goals and strategic objectives to those of the Kenya Vision 2030. As we will be reviewing our first Integrated Development Plan CIDP 2013-2017 , we shall devise appropriate strategic priorities which will build on the successes made thus far in the implementation of development programmes and mainstream them to the National policy goals and strategic objectives mentioned in the 2017 National Budget Policy Statement (BPS).We shall endeavor to monitor closely and evaluate carefully the implementation of our priority programs so as to realize greater and sustainable socio economic development.

The Kenyan economy was projected to grow by 6.0 percent in 2016 and 6.5 per cent over the medium term. This was to be sustained by suitable structural reforms and the continued investment in macro-projects in infrastructure. These coupled with a favorable macroeconomic environment would spur growth in agriculture, trade, industry, tourism and other sectors of the economy. Benefits of the favorable macro-economic environment are expected to trickle down and accelerate growth in major sectors of the county economy. As the economy continues to be resilient, risks still remain. These risks include prolonged drought due to failures in both long and short rains, threat of climate change effects, unstable and fluctuating world oil prices, weakening of advanced economies and increasing insecurity. We will monitor closely the situation and proactively put up mitigating strategies to avert the effects of such risks.

The United Nations Summit held towards the end of 2015 adopted the 2030 Agenda for Sustainable Development with 17 Sustainable Development Goals( SDGs) to end poverty, fight inequality and injustice and tackle climate change by 2030.The SDGs have come up after the expiry of the 8 Millennium Development Goals (MDGs).This paper will attempt to link and mainstream the SDGs by domesticating and localizing them in our strategic priorities so as to achieve greater and sustainable socio -economic development.

**HON. BAKARI HASSAN SEBE,  
CEC MEMBER FINANCE AND ECONOMIC PLANNING**

## **ACKNOWLEDGEMENT**

This is the fourth CFSP to be prepared by the County Treasury and the last in the Medium Term Expenditure Framework (MTEF) period FY 2015/16- FY 2017/18. It is prepared in consideration of the requirements of section 117 of the Public Finance Management Act, 2012. It links the County government policies, plans and budgets and is expected to guide budget preparation for FY 2017/18 and the medium term. This paper firms up the recommendations and conclusions on the sectoral spending limits given in the latest County Budget Review and Outlook Paper (CBROP) which will form the basis for the FY 2017/18 budget. This 2017 CFSP is expected to enhance the citizens understanding of County public finances and guide public deliberations on Kwale County's socio-economic development.

As usual like in the previous years, preparation of this paper has been a collaborative effort with input derived from sectors, departments and other county organs. We are grateful to the departments for their invaluable inputs. We make a special mention here on the comments and input from the Commission on Revenue Allocation, the National Treasury, the Office of the Controller of Budget and other stakeholders. Citizens were also engaged in various public deliberations fora and contributed generously. We further express our heartfelt gratitude to members of the County Budget and Economic Forum for their active participation in mobilizing citizens and encouraging them to contribute their views during the public participation deliberations held in the sub county headquarters on 9<sup>th</sup> and 10<sup>th</sup> November, 2016. The same goes to officers in the public service and administration department in making the entire public participation fora successful.

I am particularly grateful to the Economic Planning team for their dedication and tireless effort in content development and quality presentation of this paper. Lastly, I wish to thank the entire County Treasury staff for their sacrifice and commitment to public service.

**ALEX THOMAS ONDUKO**  
**CHIEF OFFICER FINANCE AND ECONOMIC PLANNING**

## ACRONYMS AND ABBREVIATIONS

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

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

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## **Legal Basis for the Publication of the County Fiscal Strategy Paper**

Section 117 of the Public Finance Management Act, 2012 states;

- 1) The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the County Assembly by the 28<sup>th</sup> February of each year.
- 2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
- 3) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term
- 4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term
- 5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account, the views of:-
  - a) the Commission on Revenue Allocation
  - b) the public
  - c) any interested persons or groups
  - d) any other forum that is established by the PFM Act 2012
- 6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the County Assembly, the County Assembly shall consider and may adopt it with or without amendments
- 7) The County Treasury shall consider any recommendations made by the County Assembly when finalizing the budget proposal for the financial year concerned
- 8) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly.

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

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

Subsection (2) states that:

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

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

## EXECUTIVE SUMMARY

The County Fiscal Strategy Paper for FY 2017/18 is prepared in accordance with the provisions of Section 117 of the Public Finance Management Act, 2012. The paper has taken into account the views of the public and other statutory institutions such as the Commission on Revenue Allocation, the National Treasury and the Office of the Controller of Budget. This paper is the fourth and the final to be prepared by the County Treasury for the MTEF period FY 2015/16-FY 2017/18.

This paper has identified strategic priorities and planned programmes in each department which will guide the preparation of the FY 2017/18 budget and the medium term. These programmes are linked to our policy goals mentioned in the first County Integrated Development Plan 2013-2017 and the strategic objectives of Kenya Vision 2030. The prioritized programmes are expected to raise productivity and efficiency in the county economy.

The FY 2017/18 budget is expected to raise total revenue of **Kshs.7.88 billion** out of which **Kshs.7.39 billion** will be equitable share of revenue from the National Government, **Kshs 275.0 million** will be from county own revenue sources and **Kshs 372.7 million** will be conditional grants from development partners. On the expenditure side, the anticipated recurrent expenditure will be **Ksh 3.32 billion** accounting for **42.1 percent** of the budget and **Ksh 4.56 billion** will be for development expenditure translating to **57.9 percent** of the budget.

The Agriculture, Rural and Urban Development sector comprises of the department of Agriculture, Livestock and Fisheries and the department of Lands, Physical Planning and Natural Resources. The implementation of programmes in this sector has focused on attainment of food security, improved urban infrastructure and sustainable land management. The sector experienced various challenges over the past three years including: inadequate funding, delays in disbursements of exchequer and donor funds, slow court processes in lands matters, high incidence of animal and crop diseases, insecurity and the impact of climate change.

The prioritized programmes for the FY 2017/18 include enhancement of the supply of inputs particularly fertilizer and planting materials, setting up of irrigation schemes, vaccination and disease control, crop and livestock insurance schemes, operationalization of fish landing sites, development and dissemination of the

County Spatial Plan, land banking and physical planning of towns and trading centres. To undertake these programmes, the sector will require **Kshs.439.0 Million** in the financial year 2017/18. **Kshs 229 Million** will be for recurrent purposes and **Kshs.210 Million** will be for development expenditure.

The Educational sector comprises of the department of Education, Research and Human Resources Development. The mandate of this sector is Early Childhood Development and Education (ECDE) and Youth training. The sector continues to work towards achieving its overall goal of increasing and expanding the access to early childhood development education and promoting relevant knowledge, skills and innovation for the youth. In the last three financial years the County Government has constructed 167 new ECDE centres by end of September 2016. The number of youth polytechnics increased from 9 in 2014 to 24 in 2016. The key challenges facing the sector include: inadequate number of ECDE teachers compared to number of pupils, delay in exchequers releases and inadequate funding, lack of technical capacity by quality assurance and standards officers, inadequate nutrition and health support services, limited availability of teaching / learning and play materials.

The sector will continue to prioritize the increased access to early childhood development education by rehabilitating the existing ECDE centres and construction of new ECDE centres, increasing the number of ECDE care givers to improve on teacher-pupil ratio, strengthening quality assurance and standards and increasing the availability of teaching, learning and playing materials. For youth training, programmes shall include increasing the access to youth knowledge and skills, enhancing the relevance of technical knowledge, enhancing quality assurance and standards. To implement these programmes the sector requires **Kshs1.345 Billion** in the FY 2017/18. **Kshs.256.6 Million** will be for recurrent activities and **Kshs 1,088.7Million** will be for development expenditure.

The Health sector is represented by the department of Medical and Public Health Services. The main goal of the sector is to provide essential health services that are accessible, responsive and affordable to county population. The programmes that have been implemented over the three years include: Upgrading of health care, quality assurance and standards, emergency health care and public health programmes. The county government has established 22 new health facilities, 19 maternity wings and recruited 540 new medical staff. For the upcoming FY 2017/18 budget, the health sector's prioritized priorities will include: Strengthening the community health strategy by facilitating and equipping Community Health Volunteers

(CHVs), establishment of emergency response services, elimination of communicable and non-communicable diseases, provision of essential medicines and rehabilitation and construction of health facilities. To implement these programmes, the sector has been allocated **Kshs 1.916 Billion** in the financial year 2017/18. **Kshs 1.037 Billion** will be for recurrent items and **Kshs 878.99 Million** will be for development expenditure.

The General Economic and Commercial Affairs sector is composed of the department of Trade and Cooperative Development and the department of Tourism, Investment and Information Communication Technology (ICT). The main goal of the sector is to promote and develop trade, tourism, industrialization and entrepreneurship, innovation, savings mobilization and investment. Among the programmes which this sector has implemented over the years include rehabilitation and construction of markets, offering credit to small scale traders, strengthening governance of cooperative societies, promotion of new tourist attraction sites, promotion of domestic tourism, establishment of robust Information Technology (IT) systems and IT security. In order to implement the sector programmes, the sector has been allocated **Kshs.370.2 Million** for the financial year 2017/18. Recurrent expenditure allocation will be **Kshs.100.7 Million** and **Kshs.269.5 Million** will be for development expenditure.

The Social protection, Culture and Recreation sector is represented by the department of Community Development, Culture and Talent management. The main goals of this sector are: promotion, development and revitalization of community and social development facilities for sustainable development; identification, nurturing, developing and managing sports, arts and talents to foster economic development; and promotion and development of diverse cultural and social heritage for economic development. The programmes which have been implemented over the years include: Upgrading of sports fields at ward levels, women, youth and persons with disabilities (PWDs) empowerment, promotion of sports through facilitation of ball games, promotion of culture through cultural competitions, community and social development services.

In the FY 2017/18, the sector has prioritized the following programmes: Completion of the Kwale county stadium, continuation of the youth, women and PWDs empowerment, promotion of sport, culture and art, and the promotion of community library services. To implement these programmes, the sector will require

**Kshs 375.7 Million** in the FY 2017/18 budget. Recurrent expenditure will be **Kshs 91.5 Million** and **Kshs 284.22 Million** will be for development projects.

The Public Administration and International Relations sector is comprised of the department of Public Service and Administration, the County Treasury, the County Public Service Board, the County Executive Services and the County Assembly. The overall goal of this sector is to provide policy and leadership direction, oversight and management of the county fiscal, human and economic resources. Over the past three years, the sector has implemented a number of programmes including: preparation and approval of County policies and bills, ensuring good governance by strengthening governing structures through the engagement of the public in policy formulation, infrastructural development programmes among others. The programmes which have been earmarked for budgeting in the FY 2017/18 include: effective public participation through effective engagement of citizens in development planning and participatory budgeting, establishing appropriate monitoring and evaluation framework and systems, digitizing the selection and recruitment of county employees, enhancing compliance to statutory regulations through capacity building of policy makers and the completion of infrastructural projects. To undertake these projects the sector will require **Kshs.1.68 Billion** out of which **Kshs 1.40 Billion** will be for recurrent activities and **kshs.293.0 Million** will be for development expenditure.

The Water and Infrastructure sector is represented by the department of Water services and the department of Infrastructure and Public Works which are under one management in the county. The sector is home to one semi-autonomous government agency- the Kwale Water and Sewerage Company (KWAWASCO). The main objective of this sector is to improve household access to safe portable water from the estimated current 45 percent to 75 percent by 2017 under the water department. While for the infrastructure department, the main goal is to improve the quality of existing infrastructural facilities for sustainable economic development. A number of projects have been implemented by this sector over the past three years namely: Construction of 11 pipelines, construction of three new dams, construction of twenty new boreholes, construction of six elevated single towers for water distribution, rehabilitation of county roads about 650 kilometres and street lighting in all the major urban centres.

In the financial year 2017/18, the sector plans to continue the programmes on pipeline construction, construction of dams and water pans, drilling of boreholes and streamline the distribution of water services



to ensure there is clean, safe and adequate water for majority of Kwale households. In the infrastructural development and roads, street lighting programmes and the upgrading of rural access roads will continue to be given priority to enhance security, improve transport system and open up areas for development. The sector has proposed to be allocated a budget of **Kshs 1,369.7 Million** to carry out its programmes in the FY 2017/18. From this allocation, **Kshs 196.9 Million** will be for recurrent expenditure while development will be allocated **Kshs 1,172.8 Million**.

Kenya's economy has been resilient in the recent times and there are indications to a more favorable macro-economic environment . There is stability in the foreign exchange market and the money market as short term interests continue to decrease, the stock market becoming more robust and inflation rates being at manageable levels. Credit to both the private and public sectors becomes more readily available and affordable following the capping of commercial interest rates at 14 percent. This will reduce the cost of capital and thus raise investment in the country. The county economy stands to gain from these developments as more investment is envisaged and the growth of economic activities is enhanced. The FY 2017/18 budget will be prepared against this background. As we implement our medium term fiscal framework by building on the successes and addressing our development challenges, risks still remain. Our major risks will include insecurity, inflationary food prices, adverse weather conditions, climate change effects, volatile world economies, fluctuating and unstable world oil prices .These may affect the stable macroeconomic environment in the domestic economy and may disrupt county economic activities. On the expenditure side, the fiscal risks will include increasing huge wage bill, delay in release of funds from the National Exchequer and the management of pending bills. These have hampered effective budget execution in the past. The County Government will closely monitor the situation and devise appropriate measures to mitigate the risks. Among the mitigating measures that will be applied to avert the risks include the following:-

- i. Timely project implementation to reduce County Government commitments on incomplete projects and thus ensure proper management of pending bills.
- ii. Lobbying for timely release of funds after approval by the Controller of Budget and disbursement by the Central Bank.
- iii. Working together with various stakeholders to find a lasting solution to effects of climate change and drought. Proposals will include establishment of large dams in the semi arid areas,

intensive extension services on smart agriculture, protection of water catchment areas, afforestation and policy to ban charcoal burning and other malpractices.

- iv. Public expenditure rationalization on recurrent items to eliminate wastage and save on resources to sustain envisaged increased public spending on wages.
- v. Strengthening of compliance and enforcement efforts and fast tracking implementation of the revenue automation to enhance local revenue collection.
- vi. Fast tracking the enactment of the Finance Bill and other affiliated bills to enhance county revenue raising measures

# CHAPTER ONE: POLICIES TO ACHIEVE AND SUSTAIN ECONOMIC PROSPERITY

## Introduction

**1.** This 2017 CFSP outlines various policies and strategies that re-emphasize the County ongoing economic transformation agenda building on the gains made by the County government over the last three financial years. In addition, the Paper is linked to the National government five-pillar development strategies as outlined in the 2017 Budget Policy Statement as follows: (i) creating a conducive business environment for job creation; (ii) investing in sectoral transformation to ensure broad-based and sustainable economic growth with a major focus on agricultural transformation to ensure food security; (iii) investing in infrastructure in areas such as transport, logistics, energy and water (iv) investing in quality and accessible health care services and quality education as well as strengthening the social safety net to reduce the burden on households and promote shared prosperity; and (v) further consolidate gains made in devolution in order to provide better service delivery and enhanced economic development.

**2.** Further the strategic priorities and policies outlined in this 2017 CFSP recognizes the fact that the county economy does not operate in isolation and it may be affected by external shocks both in the domestic and global economies. In the international front, declining commodity prices particularly oil prices will have a bearing on our economy as will be the case for continued deterioration of emerging markets and insecurity. In the domestic economy stable macroeconomic environment will be key in ensuring stable growth of our economy. Vagaries of weather and unfavorable conditions like drought may affect agricultural productivity which is the main stay of the county's economy. In addition, the coming general elections and the effects of the same for instance regarding investor's confidence and the general stability of the local economy cannot be underestimated.

**3.** Implementation of strategic priorities and policies since the inception of devolution in our county has had tremendous achievements. Our fiscal policy has resulted in fiscal prudence and achievement of value for money in most of our implemented projects. Business environment has greatly improved on improvement of macroeconomic stability, enhanced electric power generation and enhanced security.

General infrastructure has improved with the continued rehabilitation and opening up of county feeder roads, street lights installation and development of water pipeline systems.

**4.** On Education, the county's mandate has been on Early Childhood Development and Education and Youth Training. Since its inception, the County Government of Kwale has increased the ECDE enrolment from 64,282 in 2013 to about 121,484 in 2016. For infrastructural development, the number of ECDE Centres has increased from 210 in 2013 to 732 in 2016. The County Government initiated the Bursary and Scholarship programme cognizant of the need to build on human capital and assist the bright students from needy families. Bursaries and Scholarships to needy students have been on an upward trend from a budget of Ksh 110 Million in 2013 to 280 Million in 2014 and 400 Million in 2016. The number of beneficiaries have also increased from 26,255 in 2014 to 61,332 in 2016.

**5.** On Youth Training, the number of youths enrolled in our youth polytechnics has increased tremendously from 1025 in 2013 to 3057 in 2016. In terms of facilities, the number of youth polytechnics constructed/rehabilitated in 2016 was 24. So far, the county has a total of 29 youth polytechnics that are spread all over the county.

**6.** Under the Health Sector, the County Government aims at ensuring that the county has a healthy population to realize its economic transformation agenda. Since its inception, the devolved government has implemented a number of programmes. Specifically, the county government has constructed 19 maternity wings with the target of having a maternity wing in every facility. More efforts will be put in Curative Health services, Rehabilitative and Preventable health care services, supply of essential medical drugs and infrastructural development programmes.

**7.** The County Agricultural Transformation Programme aims at having an innovative, commercially-oriented and modern sector. To make the county more food secure and self reliant, the county government has implemented several strategies including agricultural mechanization, micro – irrigation programmes, provision of farm inputs, training on smart agriculture and extension services as well as disease control.

**8.** The county government has also embraced Public Private Partnership Initiatives in an attempt to improve agricultural productivity including ongoing irrigation promotion activities in Nyalani done in collaboration

of the county government and KCB Foundation and Safaricom. Other initiatives include the implementation of the Mwache dam which in addition to improve water supply, the project will also emphasize on the promotion of modern farming methods that is, irrigation farming.

**9.** The continued implementation of county strategic priorities and sector programmes articulated in the previous two years CFSP and those outlined in this 2017 CFSP linked to the five pillar strategy of the 2017 BPS will raise overall productivity and efficiency in the county economy. The private sector will be expected to complement the County Government's efforts as a key driver of our economic transformation agenda while the County Government will endeavor to create an enabling environment.

## **Pillar I: Sustaining Conducive Business Environment for Investment Opportunities**

**10.** As stated in the 2016 CFSP, the objective of the reforms under Pillar I is to create a conducive business environment by maintaining macroeconomic stability and improving security so as to encourage investment opportunities in the county.

### **Macroeconomic Stability for Sustained Growth and Development**

**11.** Maintaining macroeconomic stability is a prerequisite for sustained and inclusive development. The broad objective of macroeconomic policy is to contribute to economic and social well-being in an equitable and sustainable manner through employment generation, as well as providing fiscal space to address other critical social concerns. As such the County and National Governments will continue to pursue prudent fiscal and monetary policies that are supportive of accelerated inclusive growth and development.

**12.** Our County fiscal policy strategy aims at strengthening revenue base and at the same time ensuring prudent expenditure measures are put in place. Our expenditure policy will aim at shifting the composition of expenditure from once off recurrent items to capital expenditure and eliminating unproductive expenditures.

**13.** The country's monetary policy aims at ensuring a low rate of inflation of around 5 percent, strengthening of the international reserves position to over 4.5 months of import cover and providing space for sustainable increase in credit to the private sector to support productive activities. This will be maintained within low and stable interest rates and competitive exchange rate. The county stands to gain from increased private productive activities as the business environment improves.

**14.** The recent signing into law the bill proposing for capping the interest rate at 4.0 percent higher than the Central Bank Rate (CBR) will promote access to cheaper credit to investors thereby improving investments.

### **Enhancing Security for Sustained Growth and Employment**

**15.** Security continues to be critical for social economic development of the county. However, recent security efforts implemented both by the County and National Governments have greatly boosted investor's confidence. This is expected to reduce the effects of joblessness among the youth and possibly have positive multiplier effects on the other sectors of the county economy like agriculture, trade and investments.

**16.** Following the insecurity incidences in the county over the few years, the National Government prioritized security enhancement programmes and significant resources have been allocated to support the security agencies. Over the medium term, the strategy will be on sensitizing the public on peaceful co-existence, political goodwill and tolerance. Existing laws will be fully enforced and border control units established and existing ones strengthened. Mechanisms should be put in place to ensure that working environments are secured to improve the overall performance and staff retention. There is need to address the increased cases of alcohol, drugs and substance abuse especially among the youth by strengthening the relevant institutions.

**17.** To enhance security and stability in the county's economy, this 2017 CFSP re-emphasizes the proposals made in our last year's CFSP. Going forward, the County Government will fast track the implementation of various security measures including: (i)the completion of street lighting projects in our major centres(ii)setting up of rehabilitation centres to rehabilitate hard drug addicts in a bid to minimize crime(iii)resettlement programs for squatters and historical injustice victims through the department of lands, physical planning and natural resources.

## **Pillar II: Infrastructure Expansion to Facilitate Economic Transformation**

**18.** Under the infrastructural expansion, the County aims at having a fully networked County with infrastructural connectivity that stimulates sustained multifaceted and holistic development. In order to ensure sustained economic transformation, and a competitive economy, the County Government embarked on massive public investments in road and water supplies.

### **Further Expanding Road Network**

**19.** The county has registered tremendous progress in expanding road network since the inception of the devolved unit. Over the last three years, various infrastructural development programmes have been undertaken to open up the County for investment and improve the lives of its citizens via prioritized strategic programmes. Some of these programmes include the road network improvement and expansion programme. In the FY 2015/2016, the number of kilometers of roads upgraded improved from 250 kilometers in 2014/15 to 650 kilometers in FY 2015/2016.

**20.** Over the medium term, the strategy is to develop the road transport in order to have an effective, efficient and secure road network. The County Government will continue to enhance road network connectivity across the county with the aim of enhancing trade and agricultural productivity. The County department of Infrastructure and Public Works will continue to open up more feeder roads, Sub County and County roads to improve on general competitiveness of the county economy. The County government is planning to upgrade 500 kilometers of roads in the coming FY 2017/2018.

### **Access to Adequate, Affordable and Reliable Energy Supply**

**21.** The realization of the development objectives set out in the County Integrated Development Plan (CIDP 2013 – 2017) and Vision 2030 will be feasible if quality energy services are availed in a sustainable, competitive, cost effective and affordable manner to all sectors of the economy. The energy sector seeks

to: (i) to increase access to electricity, (ii) to increase energy availability through power generation, and (iii) to promote utilization and development of alternative energy technologies.

**22.** The County's economy will benefit from the National Government's programmes and projects initiated over the last three years including the generation of additional 371 MW of power out of the 5,000 MW target, mainly comprising of renewable geothermal, wind and coal, in partnership with private sector players, by end of 2017. Already programmes on rural electrification have been implemented. So far 2,540,349 new customers have been connected to the national grid nationally. In addition, several primary and secondary schools at the County level have also been connected to alternative (solar) power.

**23.** The additional 371 MW electricity to the National grid will significantly reduce the cost of power and consequently, the cost of doing business. Going forward, there will be modest reduction in cost of energy as new sources of power come on board and thus reduce further the cost of doing business. The coming on-stream of additional power supplies at a much lower tariff will significantly spur growth of enterprises and industries, and accelerate the realization of the planned economic transformation agenda.

**24.** Further as outlined in the 2016 CFSP, the County Government has the intention of encouraging usage of solar and bio- mass to produce energy for households and small medium size enterprises within the county as part of adopting the green energy initiative. Initiatives mentioned in the CIDP 2013- 2017 such as assessing the viability of hydroelectricity generation along Uмба and Marere rivers will be explored. Other sources of power generation such as Coal power from the Taru basin and thermal power in Ukunda will be undertaken through Public Private Partnership initiative. These interventions will complement generation of power for both industries and households.

## **Pillar III: Sectoral Policies**

### **Agricultural Transformation**



**25.** Agriculture is one of the key sectors aimed at delivering the 10 per cent economic growth under Vision 2030. In addition, majority of the County population about 80 percent live in rural areas and derive their livelihood from agriculture. Therefore, promoting substantial investments in agriculture is key to the county economic transformation.

**26.** Improving agricultural productivity and value addition would thus be an effective way to enhance food security, employment creation, income generation, industrialization and ultimately, economic transformation through stimulating growth of related sectors of the economy such as agro-processing; storage and transport; wholesale and retail; construction; financial services as well as export diversification and growth. This would also move us towards achieving the second Sustainable Development Goal -SDG (ending hunger) which aims at achieving food and nutrition security and promotion of sustainable agricultural development.

**27.** The county government has over the last three years put in place policies, strategies and interventions to ensure sustainable food security within the county. During the period, key achievements made include: 975 and 325 metric tons of fertilizer and certified seeds respectively were distributed to farmers; 86777 hectares of land was put under food production, 22,015 was put under cash crop production, 2560 hectares of irrigation land was developed and over 3000 livestock breeds distributed under livestock development programme.

**28.** The County Government priority investments include; improving food security, research and extension services, value addition of agricultural produce and livestock products, crop varieties research for semi arid areas, disease control for both crops and livestock, irrigation schemes through establishment of dams and re-organization of farmers into viable cluster groups for economies of scale, and organized marketing.

## **Supporting Growth of Manufacturing for Employment Creation**

**29.** The manufacturing sector is viewed as a catalyst for moving the county economy up the value chain and in particular in the agriculture sector for growth of exports and job creation. It accounted for 10 per cent of GDP in 2015 nationally.

**30.** As outlined in the 2016 BPS, the National Government developed the industrial transformation programme to build a network of competitive Special Economic Zones (SEZ) which will attract new investments, expansion of infrastructure, reform of the regulatory environment, adoption of innovative, more efficient technologies with the participation of the private sector to exploit business opportunities in regional and international markets.

**31.** Some of the key achievements made to boost the industrial sector in the county for the MTEF period 2014/15 to 2015/16 include: capacity development on governance issues for cooperative societies, operationalization of Business Development Services (BDS), construction of wholesale markets, fresh produce collection centres, Jua kali sheds, and business sheds for promoting entrepreneurial activities. Going forward, the County Government will strive on enhancing the Business environment in the county economy in an attempt to improve the level of investments that take place, expansion plans for businesses, employment levels, revenue collected and the general wellbeing of the citizens. Although some progress has been done, currently businesses face a number of challenges which include; long procedures for starting a business and high energy costs.

**32.** In addition, development and establishment of blacksmiths and associated disciplines (jua kali) will be of priority. The county government will embark on improving applied technology and artisan training in our youth polytechnics to improve technical skills for better productivity. Furthermore, the County Government, working with Development Partners, will put in place a program to support Small and Medium Enterprises to acquire small industrial plants for value addition of agricultural produce and products currently produced under the Jua kali.

## **Tourism Recovery, Sports, Culture, and Arts**

**33.** The County Government recognizes the vital role tourism, culture, sports and art play in sustainable development. Cultural diversity, Sports and Art foster inclusion, a guarantee of social cohesion and a prerequisite for peace thereby promoting socio-economic development. Furthermore, the centrality to our tourism strategy cannot be underestimated. The tourism sector has been boosted by the recent withdrawal of travel advisories by key tourist source countries, hosting of the 10<sup>th</sup> World Trade Organization Ministerial Conference and visit by high profile world leaders. Other measures that have boosted the County and the Kenyan tourism industry include the scooping of top awards by key attractions and hotels at the World Travel Awards Ceremony of 2015 held in Seychelles. Diani Beach was, for the second time in a row, voted Africa's leading beach destination.

**34.** Key achievements that have been realized by the County Government include; improvement of sports facilities, demarcation and preservation of Kayas and other heritage collections for posterity including Maji Moto tourist attraction site, completion of county stadia Phase I and II and conduct of cultural competitions. Others are maintenance of solar powered lighting system along Nakumatt – Baobab hotel road and Cabro paving of the beach access road.

**35.** Going forward, the County Government will endeavor to invest more on Research and Development (R&D) in supporting the growth and development of the sector. Although R&D has been identified as a key enabler , there has been low funding, inadequate research and productivity, infrastructural capacity; skills gap in R&D; weak linkages between R&D productivity institutions and the targeted beneficiaries; and low penetration and adoption of research findings. In addition, the county governments will, through land banking develop and expand industrial, tourism, retail and wholesale projects.

**36.** Other initiatives to be given priority are (i)facilitating tourism promotion and marketing to increase international arrivals and tourism revenue;(ii)conduct of Kwale County Investment forum to market the county as the preferred tourist destination centre,(iii)development and management of sports facilities, fast tracking the completion of county stadia and establishment of sport academies,(iv)encouraging the growth of youth talents in sports and arts and nurture them as catalyst for growth and development through financial support to sports organization and providing training and capacity building as well as empowering skilled cultural practitioners.

## Pillar IV: Social Sectors

**37.** In order to ensure sustained economic transformation, reduce the burden of economic shocks on the households and enhance access to services by most county citizens, the County Government will continue to invest in quality and accessible healthcare services and quality education as well as strengthening the social safety nets programme.

### Health Care

**38.** The County's strategy on health care aims at building a healthy population that can ensure higher productivity for sustained economic transformation and long term county development. This strategy shall build on the progress achieved and continue accomplish the programs as outlined in the CIDP. This 2017 CFSP puts more emphasis on improving County health facilities; County health pharmacies; ambulance services; promotion of primary health care; licensing and control selling of food in public places; cemeteries, funeral parlours and crematorium; enforcement of waste management policies in particular refuse dumps and solid waste. Other areas of priority will include; research on medicines and health services provision, enhancing the community health strategy to improve access to medical health care and improving quality assurance spot checks and supervision in all health facilities.

**39.** Key achievements recorded during the MTEF period 2013/14 – 2015/16 include; construction and equipping of 22 dispensaries, construction and operationalization of 19 maternity wings, purchase and distribution of medical drugs worth Kshs 446.38 million and employment of 540 medical personnel.

**40.** During the period under review, free maternity services realized significant progress, maternal utilization (proportion of pregnant mother who sought ANC services who delivered in health facilities), and delivery uptake increased from 69% (2013/14) to 77% (2015/16). Finally, the proportion of women of the reproductive age (WRA) receiving family planning commodities increased from 40% to 47% during the period under review. On immunization, the proportion of fully immunized under 1 year remained stagnant around 70% during the period under review. This can be attributed to the introduction of new vaccines that need at least two fiscal years to have a good coverage.

**41.** During the period under review, 26% of the children below five years are stunted while 11% are underweight and 4% are wasted. The Kenya STEPs wise Survey Report also pointed out the increasing rates of non-communicable diseases of which nutrition has a key role to play. At the County level, the ongoing drought situation in Kinango and some parts of Lunga Lunga Sub County is expected to worsen off the situation. Mitigation measures and other emergency services have been put to arrest the situation.

**42.** In addition, charging user fees and other out-of-pocket payments have negatively affected the use of healthcare services at the county and the country as a whole. To address the barriers to access caused by out-of-pocket payments and to facilitate progress towards universal health coverage, the county government removed user fees in dispensaries and health centres, effective June 1, 2013. During the period under review, the Government of Kenya through the Ministry of Health has incrementally disbursed over 300 Million Kenya shillings as conditional grant to support health facilities. This has led to an increase in utilization of health care services percentage to 77% by sick persons and consequently registering a positive impact on equity.

**43.** At the county level, the number of deliveries attended by skilled births attendants has improved significantly from 10,150 in 2014 to 18,850 in 2016. At the same breath, immunization coverage for under 1 year olds increased to 85 percent from 70 percent over the same period. This may be attributed to decentralization of services by opening up of new facilities, equipping of facilities with new delivery beds and the improved county referral system. Others include five rounds of polio immunization campaign conducted targeting high risk border counties in addition to two nation-wide polio immunization campaigns targeting under-5 children.

## Quality and Relevant Education for all Kwale Citizens

**44.** The education sector is one of the key sectors in moving our county economy along the desired economic transformation of the county. As outlined in the 2016 CFSP, the county will continue to invest heavily on Early Childhood Development Education (ECDE) and youth training. Over the last three years, the education sector is amongst the priority sectors for the county and has seen huge allocation of resources in its annual budget.

**45.** Notable achievements registered by the sector; construction and equipping of 167 new ECDE centres, purchase and distribution of learning materials and equipment to over 300 centres and employment of 550 ECDE care givers and quality assurance officer through the County Public Service Board. During the same period, the school feeding programme provided midday meals to approximately hundred thousand pre-primary children aged below five years. As a result, the enrollment rate at ECDE level improved significantly to 76-percent against the set Education For All (EFA) target of 80 percent. In the youth training section, key achievements include rehabilitation and upgrading of 24 youth polytechnics with relevant courses for the job market and 65 students were supported through the county scholarship and bursary programme to study abroad for higher education.

**46.** Going forward the medium term strategy will focus on: (i)Enhancing and strengthening the support to bright needy students through scholarship programmes, bursaries and grants, (ii)Providing educational delivery standards and strengthening quality control in order to enforce and uphold quality education; (iii)Align education and training curricula to the demands of the changing labor markets by developing competency based education and training for TVET and revitalizing youth polytechnics, and (iv)Strengthening Early Childhood Development Education infrastructure by constructing more ECDE centres at least three in each ward in the FY 2017/18 to improve on access to ECDE.

## **Empowering Youth, Women and Persons with Disabilities**

**47.** The County Government recognizes that for the county to realize its full potential, it is important to empower the youth, women and persons with special abilities and remove all obstacles to ensure full participation in social economic development of the county. The County government is therefore committed to promote gender and youth empowerment and improve the livelihood for these vulnerable groups. During the FY 2013/14 upto second quarter of FY 2016/2017, the county government through the department of Community Development, Culture and Talent Management has disbursed **Ksh 52 Million** funding 119 youth groups, 339 women groups and 51 PWDS groups through the youth and women revolving fund.

**48.** The main aim of this sector is to empower the youth, women and persons with special abilities to engage in meaningful and productive activities to improve their livelihood. In the coming financial year, the strategy is to emphasize on capacity development to improve access and full utilization of the county revolving funds by the various vulnerable groups within the county, enhance civic education and revitalizing the sports academy concept to nurture and develop talents amongst the youth.

## **Environmental Conservation and Making Water Accessible**

**49.** The environmental protection sector aims at achieving Sustainable development in a secure environment through promotion of sustainable utilization and management of the environment. The County Government recognizes that protecting and conserving the environment, underpinned by effective climate change mitigation and adaptation measures is fundamental to sustain access to clean water, clean environment and a healthy productive population. Currently, the access to safe and clean drinking water by households at the county level stands at 45 percent. This 2017 CFSP intends improve on this by building on the gains made so far by allocating more resources to the sector, ensuring equity in distribution while fast tracking the implementation of water projects, and working with development partners to lessen water shortage within the county.

**50.** The world is transitioning from industrial economic growth to green economic growth that respects environmental health in a bid to address challenges of climate change. This shift towards a development path that promotes resource efficiency and sustainable management of natural resources, social inclusion, resilience and sustainable infrastructural development is a major concern. Kwale County will strive to adopt strategies aimed at adaptation to this transition through green growth programmes.

**51.** So far, key achievements registered under this sector include: implementation of the forest development and environmental management programme, expansion of various water pipeline systems, construction and drilling of dams, water pans and boreholes and rain water harvesting in institutions. Over the medium term, the county government will prioritize developing, maintaining and managing water supply systems and enhancement of the tree planting programme.

**52.** In order to mitigate the impact of climate change, the Government will continue to mainstream climate change measures into its projects and programmes. This includes: tree planting and re-forestation, water harvesting, smart agriculture, technologies that reduce pollution levels, investments in green energy (micro-hydro, solar, biomass) construction of mini dams, water pans and rehabilitation of existing dams and water pans. As part of this process, the Government will continue to construct and rehabilitate water pans, roll out water harvesting and storage in all public institutions throughout the county, and invest in mid-size dams to store water for household and agricultural use.

## **Pillar V: Enhancing Devolution for Better Service Delivery**

**53.** The decentralization of service delivery and resources through devolution has had a profound effect on the lives of Kenyans at large and Kwale citizens in particular. The strategy by the National government to strengthen institutions and capacity to link inter-governmental fiscal transfers will enhance revenue raising capacity of the County governments. This will enhance service delivery and ensure equitable economic development. In the 2017 BPS, the county allocation of its equitable share from the National Government for FY 2017/2018 has been raised to **Ksh.7,239,095,072.00** from Kshs. **5,530,693,069.00** in FY 2016/17, **Kshs. 5,125,842,160.00** in FY 2015/16 and **Ksh.4, 472,304,285.00** in FY 2014/15.



**54.** Further, the National Government will implement strategies to enhance revenue management by Counties in order to build capacity for efficient and effective local revenue collection while minimizing on revenue evasion and diversion, and correct duplication and distortions in local taxes and fees that hurt the business environment. The National Treasury through the Intergovernmental Budget and Economic Council (IBEC) will initiate the development of a national framework legislation to support the enhancement of county own-source revenue. In addition, a comprehensive review and harmonization of all existing legislation relating to county taxes, fees, user charges and business licenses will be undertaken.

**55.** Public participation is at the core of the success of devolution. It is enshrined in the Constitution 2010 and instilled in the national values and principles of governance stipulated in article 10. The rationale for public participation is based on the constitutional foundation which places sovereign power on the people. Since the onset of devolution in Kenya, the County Government has embraced fully public participation as a means to meaningfully engage the citizens in policy formulation and decision making. The budget making process right from strategic planning to budget estimates preparation and approval has included public participation. This has seen increased accountability, process legitimacy, quality of the process, better decisions and improved governance. The County Government has passed the public participation bill and the county has a legal framework to guide public participation.

**56.** Comments from National Institutions such as the Controller of Budget and the Commission on Revenue allocation have advised for adequate funding of the public participation process. In the last three financial years, public participation was done but without clear funding in the annual budgets. This 2017 CFSP proposes clear distinct programme and vote for public participation. All sectors will allocate adequate resources for public participation in the FY 2017/2018 MTEF budget.

## **CHAPTER TWO: RECENT ECONOMIC DEVELOPMENTS**

## **Overview of Recent Economic Developments**

**57.** The Global economy has been growing at a slow pace owing to the more subdued outlook in most of the advanced economies. This is manifested in the reduced volumes of international trade flows in the form of capital goods and intermediate inputs. The subdued outlook for the advanced economies is owing to the UK vote in favour of leaving the European Union (Brexit) and the weaker than expected growth in the United States. Moreover, there was a sharp slowdown in exports from the Sub Saharan economies.

**58.** Despite the slowdown in growth of the Global economy, the Kenyan economy remained strong owing to the significant investment in infrastructure, construction and mining, strong recovery in tourism, lowering of energy prices and improved agricultural productivity. The Kenyan economy became more resilient growing at steady rate of 5.6 percent in 2015 compared to average growth of 3.4 and 3.2 for the Sub Saharan African (SSR) and global economies respectively. Inflation is within the target band due to prudent monetary policy management while interest rates are becoming lower following the enactment of the Banking Amendment Act, 2015. Current account deficit is narrowing owing to reduced international oil prices, increased diaspora remittances and improved earnings from exports and tourism. Further strong capital inflows led to the stabilization of the Kenyan Shilling Exchange rate and the accumulation of international reserves.

**59.** The Kenyan economy is estimated to have maintained the growth momentum that started during the second quarter of 2015. All sectors of the economy posted positive growths resulting to an expansion of 5.9 per cent in real Gross Domestic Product (GDP) during the first quarter of 2016 compared to 5.0 per cent in a similar quarter of 2015. The most notable improvement was a rebound in activities of accommodation and food services which expanded by 12.1 per cent in the period under review compared to a contraction of 11.4 per cent during the same quarter in 2015. Agriculture, forestry and fishing; transport and storage; and mining and quarrying also recorded improved growths during the first quarter of 2016 and the same was experienced the following quarter of 2016. Construction and, finance and insurance registered slowed but robust growths in the first quarter. However, growth of the manufacturing sector remained depressed over the same period.

**60.** Inflation rose to average at 7.0 per cent during the first quarter of 2016, compared to 5.8 per cent in the first quarter of 2015 and went down to 5.6 in the second quarter of 2016. Weighted average commercial

banks loans and advances rates also edged upwards to average at 18.4 per cent during the quarter compared to 15.6 per cent in the first quarter of 2015. The Kenya Shilling depreciated significantly against the US Dollar, Japanese Yen, the Euro and the Sterling Pound by 11.6, 15.5, 10.5 and 5.6, per cent, respectively. Regionally, the Kenya Shilling depreciated against the Tanzanian Shilling but appreciated against the Uganda and South Africa Rand by 20.6 and 16.4 per cent respectively.

## Growth Updates

**61.** The economy experienced a relatively conducive environment for growth during the second quarter of 2016 having picked from the first quarter in the same year. Consequently, all the economic sectors recorded positive growths, though at significantly varied magnitudes. Overall, the economy is estimated to have expanded by 6.2 per cent during the second quarter of 2016 compared to 5.9 per cent during the same quarter of 2015. This growth was mainly supported by better performances in the activities of; agriculture, forestry and fishing; transportation and storage; real estate; and wholesale and retail trade.

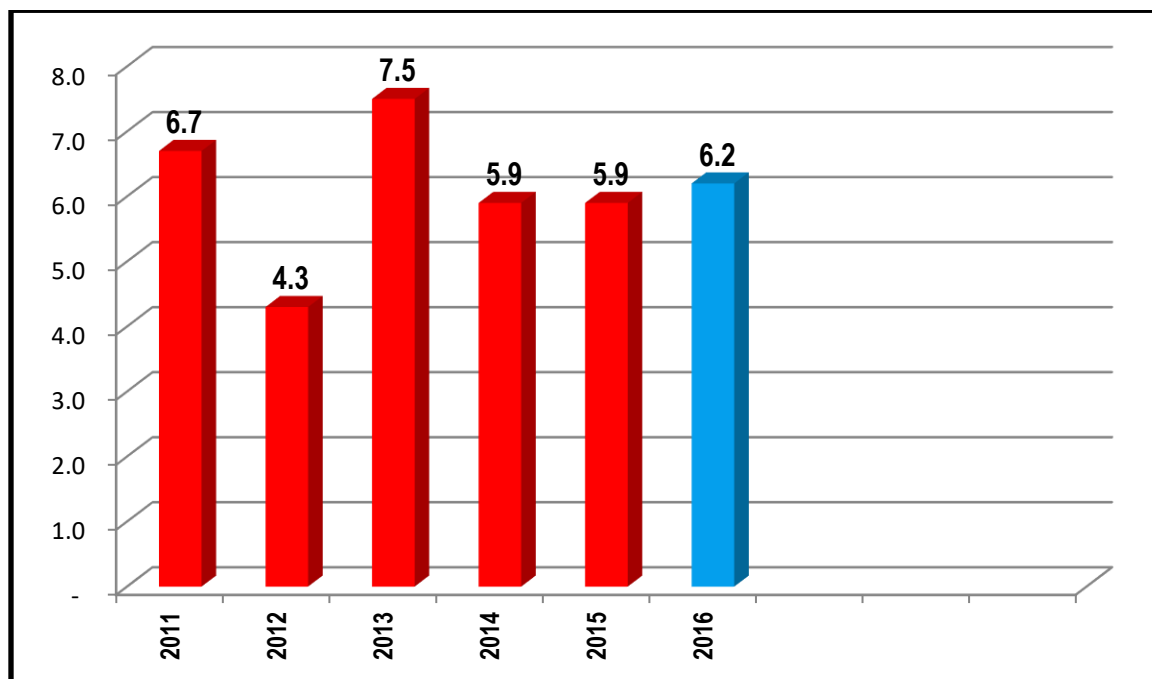
**62.** Manufacturing experienced the slowest growth at 3.2 per cent during the second quarter while accommodation and food services continued with the recovery that started in the fourth quarter of 2015 to expand by 15.3 per cent over the same period. Mining and quarrying; electricity and water supply; and information and communication sectors recorded notable improvements in their growths during the review quarter. Activities of the construction and financial and insurance sectors slowed down but maintained robust growths during the review period.

**63.** Moreover the second quarter of 2016 the economy experienced a relatively stable macroeconomic environment despite a remarkable rise in interest rates. Inflation edged downwards significantly to average at 5.6 per cent during the review period compared to 7.0 per cent in the same quarter of 2015. The slowdown in inflation was mainly due to the near stagnation of costs of transportation during the review quarter. Slowdowns in the rise of consumer prices for housing, water, energy and communication services also contributed to the deceleration in inflation.

**64.** Interest on commercial bank loans rose significantly to an average of 18.15 per cent during the second quarter of 2016 compared to 15.57 per cent in the same quarter of 2015. This rise was despite the downward revision of Central Bank Rate (CBR) from 11.5 per cent that was in place since June 2015, to 10.5 per cent towards the end of May 2016.

**65.** Generally, the Kenyan Shilling strengthened against the main trading regional currencies (South Africa Rand, Ugandan Shilling and Tanzanian Shilling) but depreciated against the major world currencies (US dollar, the Euro and Japanese Yen) in the review quarter.

**Figure 1: Comparison in GDP Growth Rates**



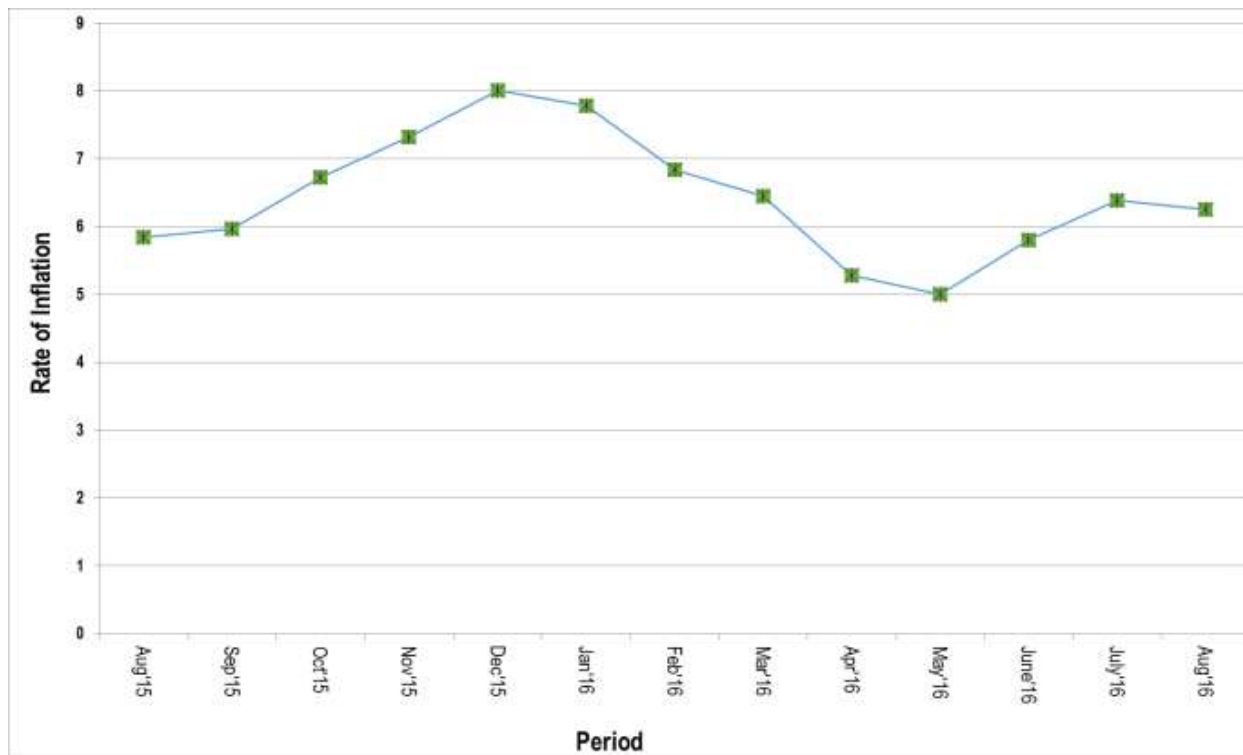
Source: KNBS

## **Inflation**

**66.** The Kenya National Bureau of Statistics (KNBS) reported a reduction in overall inflation to 5.3% in April 2016 from 7.1% in April 2015 due to lower food prices and reduced motoring expenses caused by

low fuel prices. The EIU expects inflation to average 5.6% in 2016 due to subdued oil prices, lower electricity tariffs due to increased reliance on drought-resistant geothermal power and low food prices due to improved rainfall. Policymakers noted the inflation rate slowed to 6.3 percent in August of 2016 from 6.4 percent in July, remaining within the government’s target range

**Figure 2: Inflation Rate**



Source: KNBS

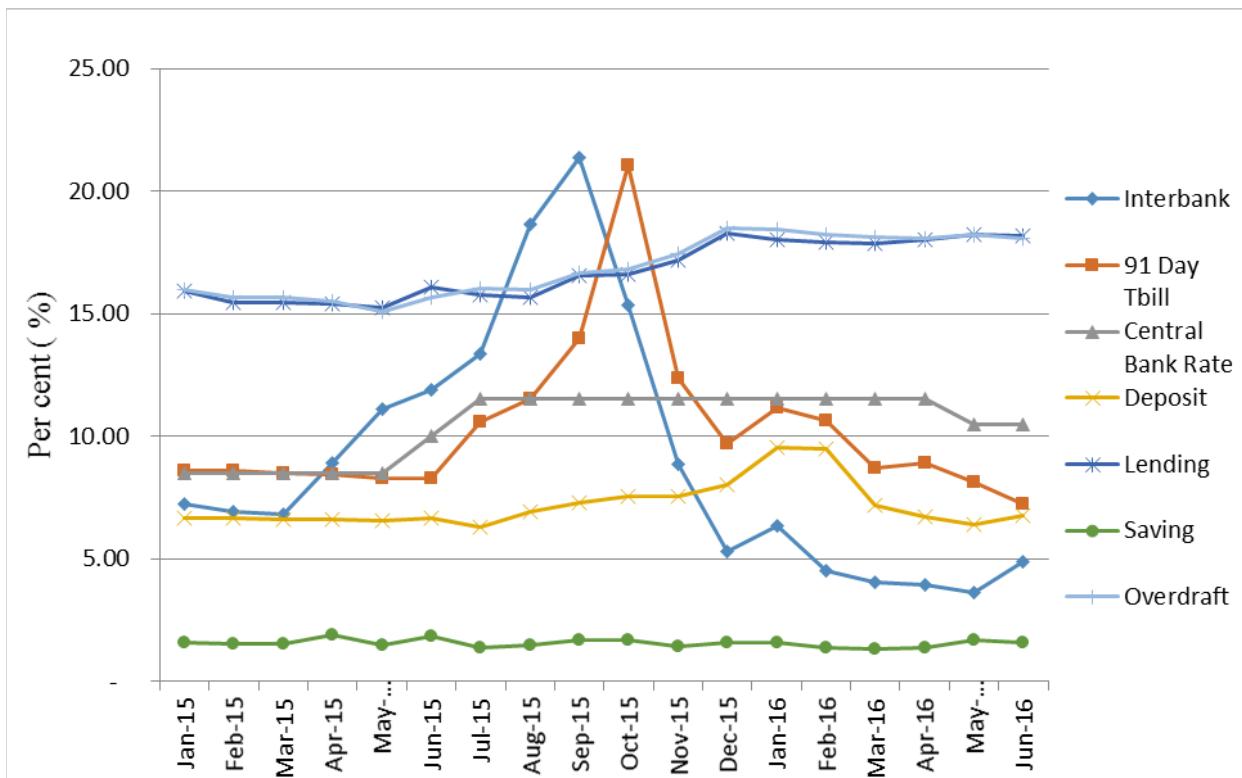
**Interest rates**

**67.** According to the Central Bank of Kenya (CBK), lending rates in Kenya increased from 15.5% in February 2015 to 17.9% in February 2016 while deposit rates increased from 6.7% to 7.5% in the same period perhaps due to a move by Kenyan banks to maintain their interest spreads following the increase in the base lending rate by CBK by 300 basis points to 11.5% in July 2015.

**68.** The World Bank attributes the high interest spreads in Kenya due to lack of competitiveness in the banking sector and the high cost of financial intermediation. The World Bank notes that large banks in Kenya have the power to maintain wide interest spreads at the expense of borrowers and depositors.

**69.** The CBK reported that the 91 day Treasury Bill (T-bill) rates were volatile in 2015 increasing from 8.3% in June 2015 to 21.7% in October 2015. BMI attributes this increase to tight liquidity in the market following the decision by CBK to raise its base lending rate in July 2015. The T-bill rates dropped to 10.6% in February 2016 following improved liquidity in the market.

**Figure 3: Interest Rate**



Source: KNBS

## **Foreign Exchange Reserves**

**70.** Foreign Exchange Reserves in Kenya increased to 9809.09 USD Million in March from 9501.23 USD Million in February of 2016. Foreign Exchange Reserves in Kenya averaged 3766.43 USD Million from 1995 until 2016, reaching an all time high of 10398.72 USD Million in June of 2014 and a record low of 853 USD Million in November of 1995. Foreign Exchange Reserves in Kenya is reported by the Central Bank of Kenya.

**71.** In addition, the foreign exchange market remained stable, reflecting a narrower current account deficit due to higher tea and horticulture exports and lower oil imports. The central bank said the inflation is expected to decline in the short-term on moderate demand pressures.

## **The Kenya Shilling Exchange Rate**

**72.** The Kenyan Shilling depreciated against the major world currencies (US dollar, the Euro and Japanese Yen) in the last twelve months period to mid 2015. The major cause for depreciation of the Shilling exchange rate was due to the global strengthening of the US Dollar on the international market and the increasing high dollar demand by importers in the domestic market. However towards the end of December 2015 and in the recent months of 2016, the Kenyan Shilling Exchange rate has shown resilience and becoming less volatile against the major regional currencies on account of foreign exchange inflows. The Kenya Shilling has reached an all high level exchanging at Ksh 101.3 to the US Dollar. The Kenyan Shilling strengthened against the main trading regional currencies (South Africa Rand, Ugandan Shilling and Tanzanian Shilling).The Kenya Shilling was exchanging at 7.6, 34.4 and 21.4 to the South African Rand,Ugandan Shilling and Tanzanian Shilling respectively.

## **General Performance of the County Economy**

**73.** The growth momentum and favourable macroeconomic environment in the National Economy will have a positive bearing on the county economy. Maintenance of inflation at manageable levels(within single digit),stable international oil prices, lower and stable interest rates, resilient and stable exchange rate and improved liquidity in the National Economy will spur growth at the local level. The county economy is expected to gain especially in the hospitality, accomodation and food services sector due to the county's

strategic position of being a tourism hub in the region. This coupled with the recent developments in the mining industry are expected to stimulate even greater growth in other sectors of our economy as stability is ensured. We envisage growth in the trade and commercial sector, agriculture, building and construction industry, transport and others.

**74.** The performance of the county economy was adversely affected by the inadequate rains received over the period. Due to the reliance on rain-fed agriculture and the high degree of exposure to the risks of weather variability, performance of the agriculture sector was dismal. This affected growth of the county's economy. The low production in the agriculture sector has continued to pile inflationary pressure from food and non-food sectors, resulting in an upward trend in the cost of living and eroding the purchasing power of the real wage. The non-food inflation stemmed from generally volatile oil prices in the international markets. Although the world oil prices have been on a downward trend, the general Consumer Price Index (CPI) has been increasing confirming that benefits from reduced oil prices have not been passed on to the consumers.

**75.** Increasing unemployment among the youth and rural-urban migration have been witnessed. In a bid to revamp the economy and reverse this trend, several projects and programmes have been planned at the National and County Government level which are likely to have great impact on the County economy. Such projects include the Dongo-Kundu by pass by the National Government and the ongoing Standard Gauge Railway SGR. These infrastructural projects will boost trade and investment in the county. The County has implemented the county trade revolving fund (KCoTREF), the Youth, Women and PWDs enterprise Fund, agricultural revitalization programmes like the micro irrigation projects, mechanization services among others to uplift trade, agriculture and other economic activities. The establishment of a whole sale market in Kombani, a project to be funded by the European Union (EU) will boost trade and other economic activities and thus spur growth in our economy. These projects are meant to increase production in the county economic sectors and subsequently improving the living standards of the County citizens.

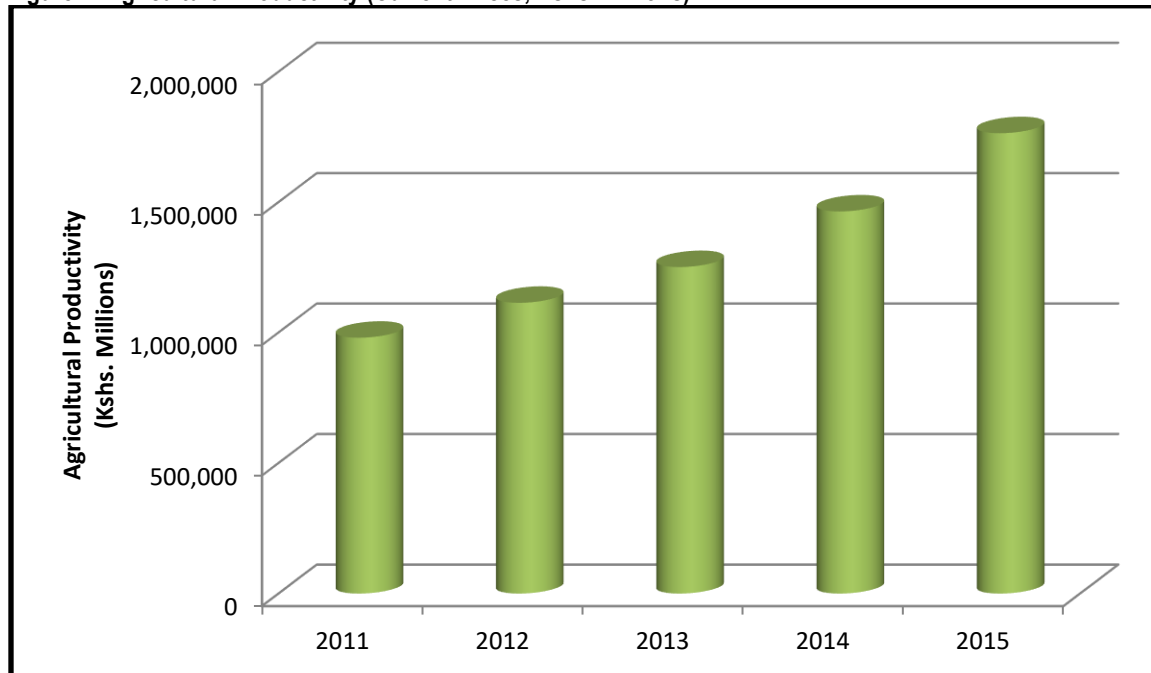


## County Economic Activities

### Agriculture

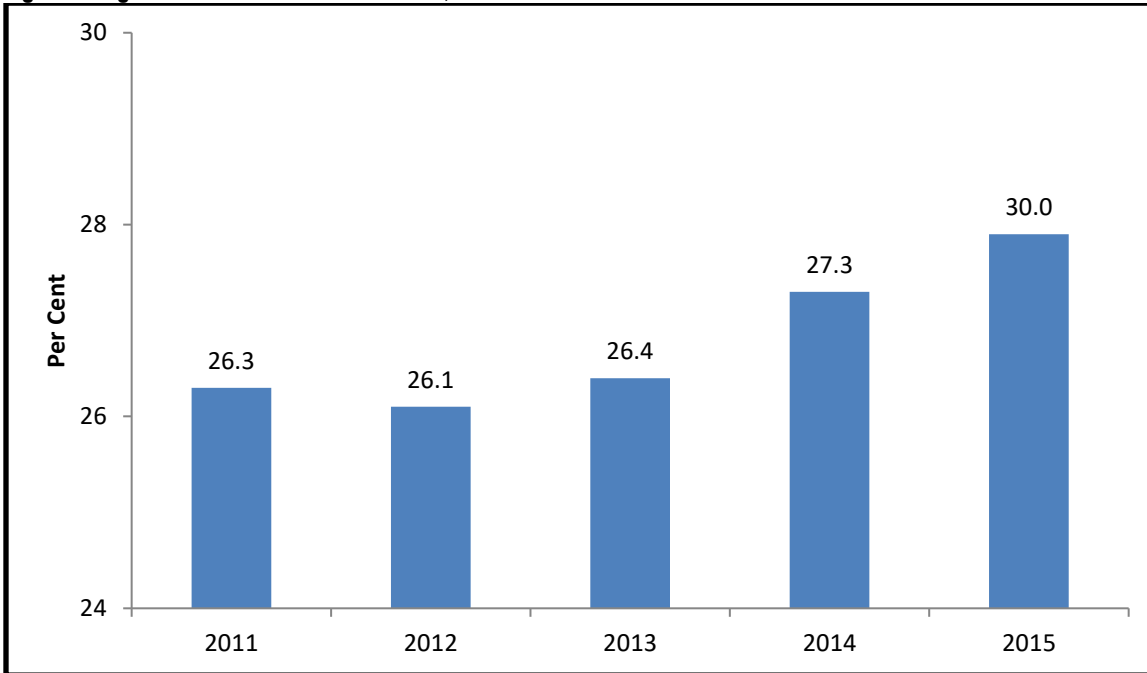
**76.** At the National level the agriculture, forestry and fishing sector recorded an accelerated growth of 5.6 percent in 2015 up from 3.5 per cent in 2014 and 5.2 per cent in 2013. In terms of contribution to the Country's GDP, the sector contributed 30 percent in 2015 from 27.3 percent and 26.4 percent in 2014 and 2013 respectively. At the county level, projects that were implemented during the period under review include the county mechanization services which saw 300 farms cultivated in each of the 20 wards, micro irrigation projects, and distribution of livestock breeding stocks and provision of farm inputs to farmers. As a result, the acreage under production of both food crops and cash crops went up by 33,643 and 46,873 respectively from 86,777 and 22,015 to 120,420 and 68,888.

Figure 4: Agricultural Productivity (Current Prices, Kshs. Millions)



Source: KNBS

Figure 5: Agricultural Sector Share of GDP, 2011- 2015

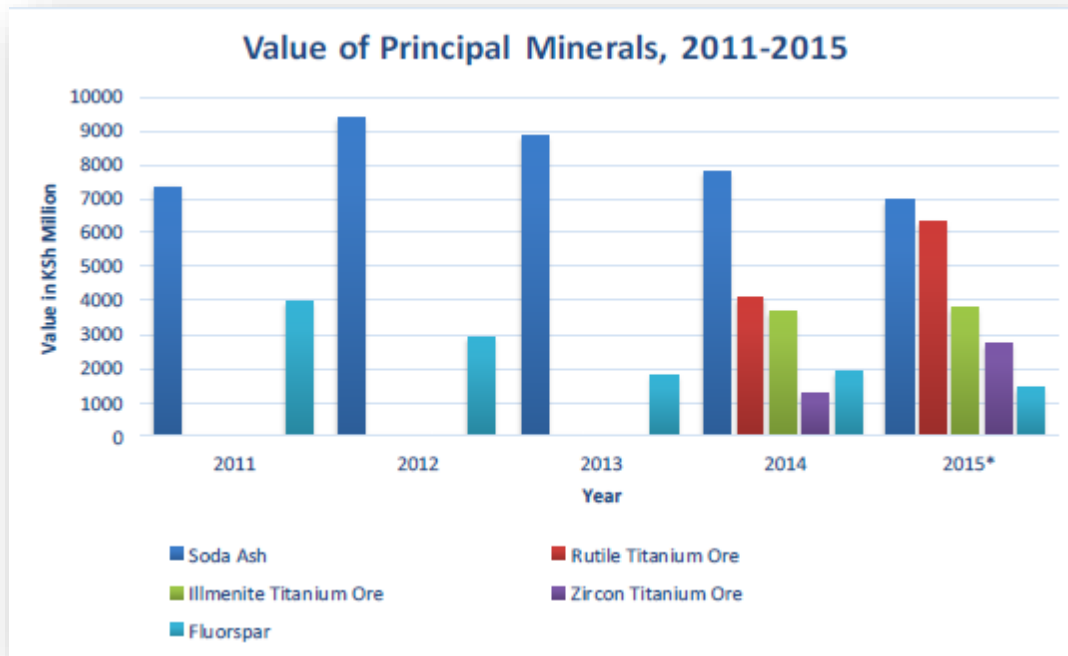


Source: KNBS

## Mining

**77.** According to the statistics at the KNBS the overall value of mineral output rose by 14.7 per cent from Ksh 21 billion in 2014 to Ksh 24.2 billion in 2015. The increase was mainly attributed to high earnings from titanium minerals of ilmenite, rutile and zircon in the export markets which is a major contribution from Kwale County. Earning from titanium ores accounted for more than half of the minerals value. The mining activities are ongoing at Titanium Base in Kwale County. The company has offered employment to the Kwale citizens and has undertaken other social development projects in their corporate social responsibility programmes. Many other minerals such as gemstones at Kuranze, Silica sand at Waa, Tiwi and Ramisi, coal at Maji ya Chumvi, coral at the coastline and oil -gas at onshore and offshore are yet to be mined.

**Figure 6: Mining Activities (Production, Current Prices, Kshs. Millions)**

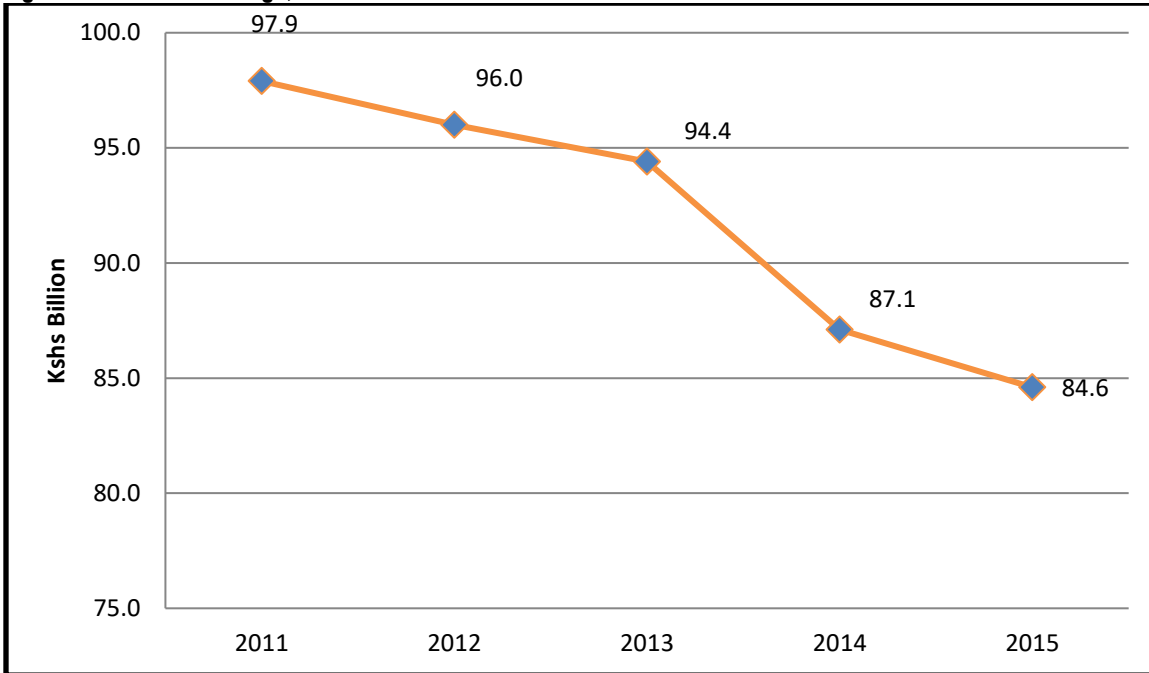


**Source:** KNBS

## Tourism

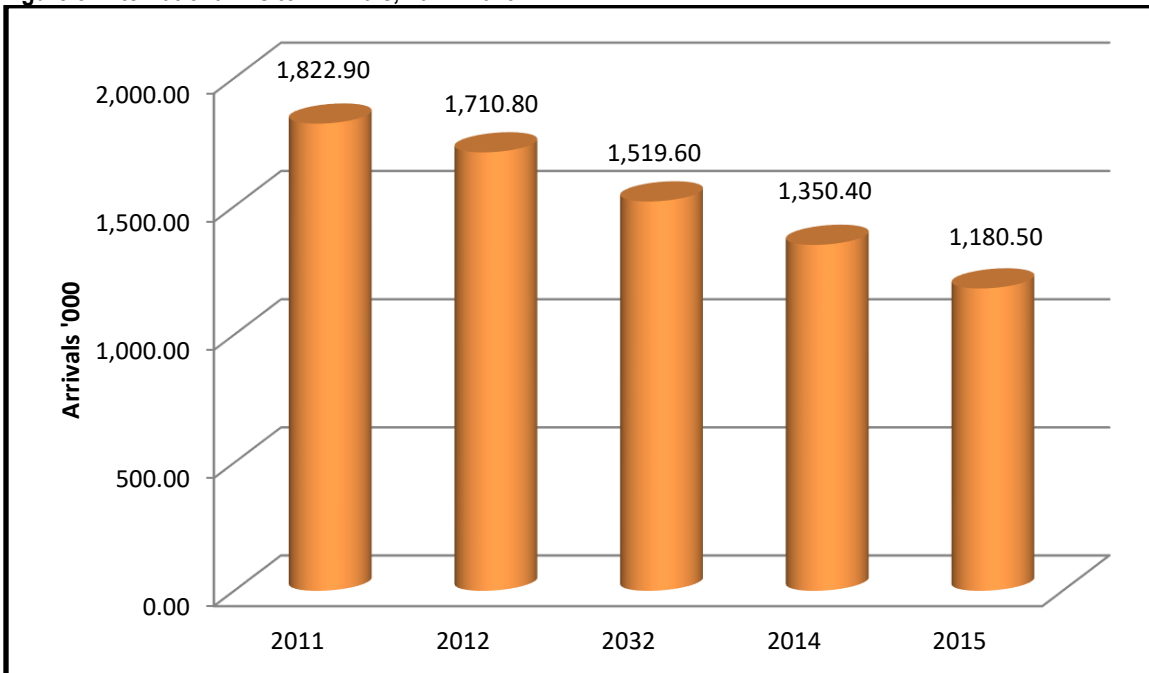
**78.** The number of international visitor arrivals continued on a downward trend, contracting by 12.6 per cent from 1.35 million in 2014 to 1.18 million in 2015. As a result, tourism earnings declined by 2.9 per cent from Kshs 87.1 billion to Kshs 84.6 billion over the same period. The deterioration of the tourism earnings was mainly due to the declining international visitors and a widening trade deficit. The sector's suppressed performance was mainly due to: Security concerns, negative travel advisories, and health concerns associated with spread of Ebola. At the county level, Kwale is one of the major destination for tourist owing to its good hotels, major sites for tourist attraction including Shimba hills National reserves, Mwaluganje sanctuary, marine reserves and parks, historical sites, coral and sandy beaches and unexploited cultural resources. Tourism and hospitality industry boasts of over 25 tourist class hotels with a bed capacity of more than 5,000. However, the global terrorism scare has extended its wings to Kwale and incessant Al-Shabab scare has periodically lead to issuance travel advisories by foreign countries.. The warnings and alerts have drastically crippled the tourism sector that is yet to fully recover.

Figure 7: Tourism Earnings, 2011-2015



Source: KNBS

Figure 8: International Visitor Arrivals, 2011- 2015

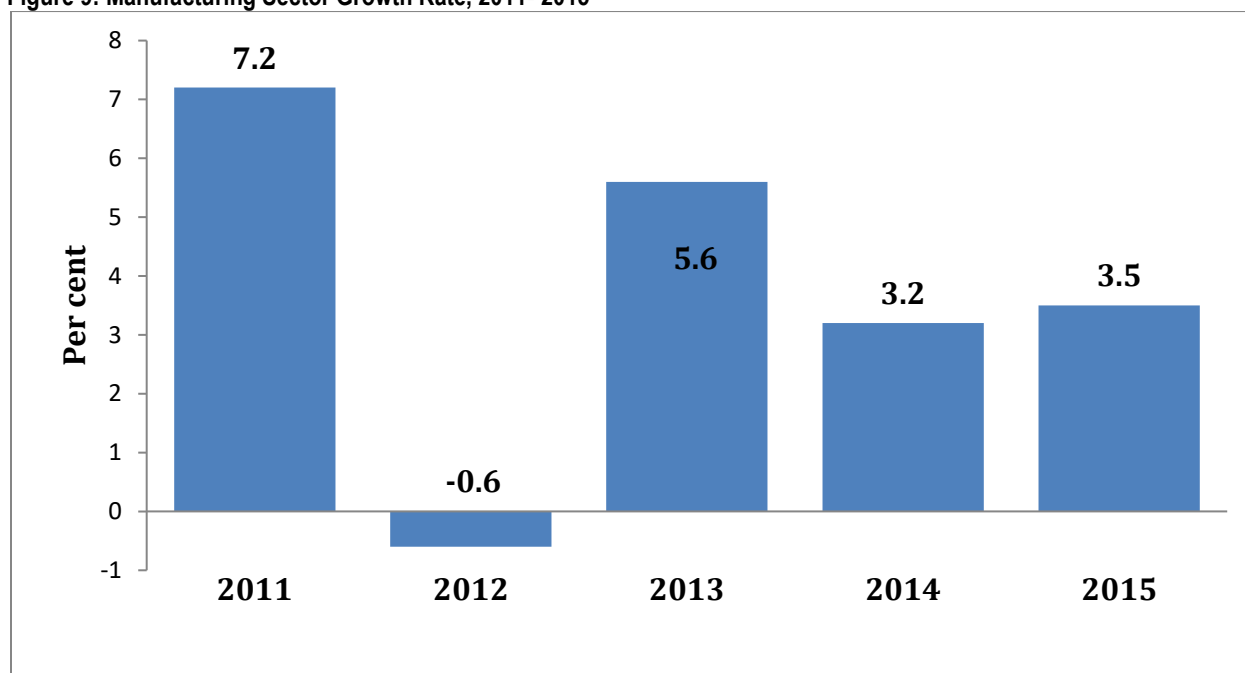


Source: KNBS

## Manufacturing and Industry

**79.** The manufacturing sector expanded marginally by 3.5 per cent in 2015 compared to 3.2 per cent in 2014 and 5.6 percent in 2013. The growth was partly attributed to reduced cost of inputs such as petroleum products and electricity and favorable macroeconomic environment. However, the high cost of credit and cheap imports curtailed performance. The sector's contribution to GDP sustained at 10.3 percent, compared to 10.0 percent and 10.7 percent in 2014 and 2013 respectively.

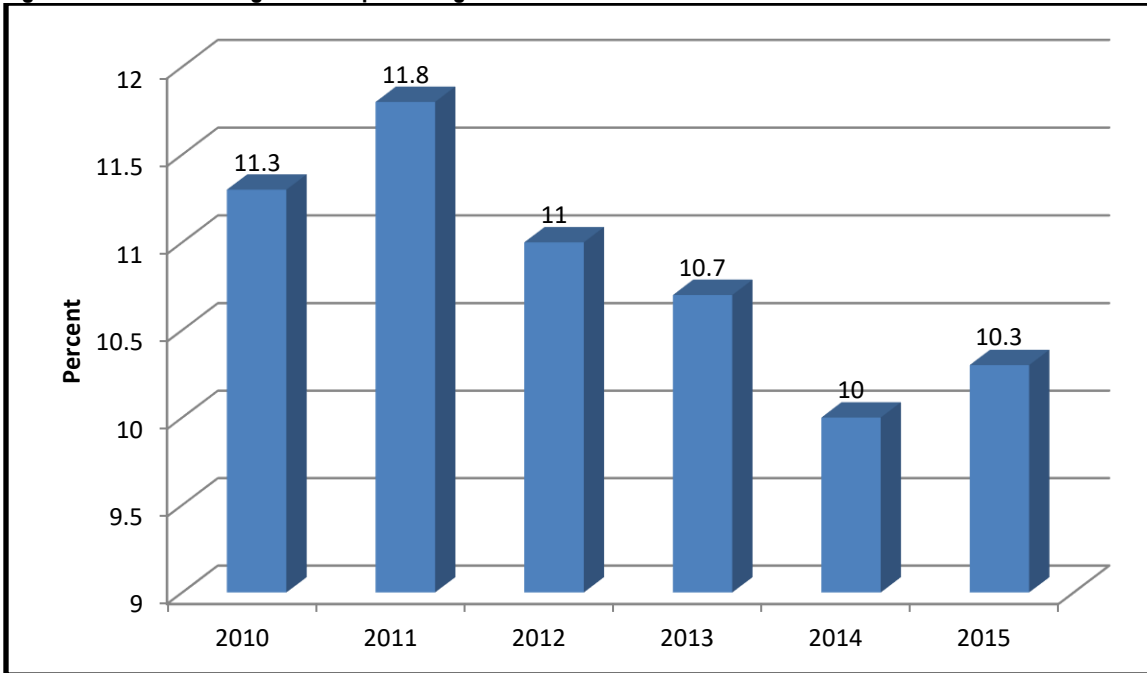
**Figure 9: Manufacturing Sector Growth Rate, 2011- 2015**



**Source:** KNBS

**80.** Kwale County has four main manufacturing industries; Coast Calcium Limited, Base Titanium, Bixa Limited and the Kwale International Sugar Company Limited (KISCOL). The Kwale County has developed several programs to empower jua kali artisans and promote the small scale and micro industries. Through the Department of Trade, the County has put up physical Infrastructure and offered loans to the SMEs. The department of Agriculture has initiated programmes to establish agro processing and value addition small scale industries and factories. There is huge potential in development of local industries such as in tannery, coconuts, cashew nuts and fruits processing.

Figure 10: Manufacturing Sector's percentage contribution to GDP 2010- 2015



Source: KNBS

## Building and Construction Sector

**81.** The building and construction industry registered a growth of 13.6 per cent in 2015 compared to an expansion of 13.1 per cent recorded in 2014. This growth was partly attributed to the ongoing SGR construction works and the road works by both National and County Governments. As a result, cement consumption went up by 9.9 per cent from 5.2 million tonnes in 2014 to 5.7 million tonnes in 2015. Similarly, the commercial bank credit extended to the sector expanded significantly by 32.3 per cent from Kshs 80.4 billion in 2014 to Kshs 106.4 billion in 2015.

**82.** At the local level, the county development budget for the infrastructure and public works department improved significantly to Kshs 360.76 million in 2015/16 from Kshs 300.47 million in 2014/15. As a result, more roads were opened up and rehabilitated through the department. For instance, it is estimated that 80 kilometers of roads were opened up and rehabilitated, an increase from about 65.1 kilometers implemented during the same period in 2014/15. Opening up of county feeder roads have improved market access and provision of other essential services such as healthcare and water.

## **Fiscal Performance in FY 2016/17 and Emerging Challenges**

**83.** Implementation of 2016/17 budget is progressing well despite the initial challenges encountered at the start of the financial year mainly brought about by the delay in release of funds by the National Exchequer. The funds delay has become persistent every financial year however the county is doing its level best to make sure the projects are implemented as soon as the funds are released. The setting up of electronic payment system platform in procurement is an efficient method but has resulted in delayed budget execution/payments to suppliers.

**84.** The total cumulative revenue received from both the National Government and County own revenue sources amounted to Kshs 1.02 Billion as at the end of first quarter of FY 2016/2017. This was a remarked improvement compared to revenue received by the end of the first quarter of FY 2015/2016 where Ksh 451 Million was collected. The National Government remittances amounted to Kshs 977.7 Million by the end of first quarter of FY 2016/2017 compared to Kshs 410.06 Million received in a similar period in FY 2015/2016.

**85.** County own revenue collected as at 30<sup>th</sup> September, 2016 amounted to Ksh 45.1 Million. This was an improvement of about 12.5 percent compared to Ksh 40.6 Million collected in a similar period for FY 2015/2016. The local revenue collected as at the end of the first quarter of FY 2016/2017 accounted for about 11.01 percent of the annual revenue target of Ksh 300 Million. Local revenue collection still faces challenges on account of the lack of updated local tax laws and regulations, presence of revenue leakages and loopholes, long outstanding court cases on land rates and inadequate enforcement and compliance personnel. With the implementation of the upcoming revenue automation system and enactment of revenue collection laws and regulations, revenue collection will be revamped.

86. Table 1 below shows the actual revenue collected by the County Government as the end of first quarter of FY 2017/2018

**Table 1: Actual Revenue Collection as at end of first quarter of FY2016/2017**

<b>REVENUE SOURCES</b>	<b>Jul-16</b>	<b>Aug-16</b>	<b>Sep-16</b>	<b>TOTAL</b>
Land Rates	6,538,362.00	1,265,594.00	3,013,567.00	10,817,523.00
Single Business Permit	965,999.00	854,635.00	806,270.00	2,626,904.00
House and Stall Rent	184,350.00	261,400.00	535,650.00	981,400.00
Market Fees	305,225.00	444,875.00	418,200.00	1,168,300.00
Royalties	1,494,430.00	1,869,175.00	1,927,710.00	5,291,315.00
Cess	762,153.00	1,020,217.00	856,278.00	2,638,648.00
Transit Goods	628,320.00	523,360.00	465,440.00	1,617,120.00
Auction Fees	401,270.00	587,285.00	614,340.00	1,602,895.00
Advertisement	688,550.00	703,700.00	2,252,000.00	3,644,250.00
Parking Fees	717,750.00	749,550.00	930,850.00	2,398,150.00
Revenue From Hospital	1,237,340.00	3,826,015.00	2,783,955.00	7,847,310.00
Building Plan Approval	25,936.00	267,091.00	166,847.00	459,874.00
Land Revenue	-	308,000.00	128,200.00	436,200.00
Garbage Fees	241,000.00	262,800.00	231,500.00	735,300.00
Slaughter	39,886.00	129,030.00	156,412.00	325,328.00
Miscellaneous	164,709.00	118,800.00	42,500.00	326,009.00
Revenue from Trade and Cooperative	-	49,400.00	47,600.00	97,000.00
Revenue from Agriculture and Fisheries	125,420.00	321,610.00	308,420.00	755,450.00
Public Health and Sanitation	161,900.00	312,300.00	49,500.00	523,700.00
Tourist Charges	331,700.00	-	433,275.00	764,975.00
<b>Local Revenue</b>	<b>15,014,300.00</b>	<b>13,874,837.00</b>	<b>16,168,514.00</b>	<b>45,057,651.00</b>
National Government Remittance	-	458,677,946.00	519,007,141.00	977,685,087.00
<b>Total Revenue</b>	<b>15,014,300.00</b>	<b>472,552,783.00</b>	<b>535,175,655.00</b>	<b>1,022,742,738.00</b>

Source: Kwale County Treasury



**87.** Total expenditure as at end of September 2016 amounted to Ksh. 881.7 million against a total amount of funds released of Ksh 1.02 Billion. During the FY 2015/2015 the County spent Ksh 921.34 Million against total funds released of Ksh 1.21 Billion in a similar period. This shows an improvement in terms of absorption of funds. The absorption rate as at the end of first quarter of FY 2016/2017 stands at 86.2 percent compared to 76.2 percent in a similar period of FY 2015/2016.

**Table 2. Actual Expenditure as at end of first quarter FY 2016/2017(30th September 2016)**

DEPARTMENT		ACTUAL EXPENDITURE		
		RECURRENT	DEVELOPMENT	CUMMULATIVE EXPENDITURE
3061	Finance and Economic Planning	54,282,035.35	1,603,496.00	<b>55,885,531.35</b>
3062	Agriculture, Livestock and Fisheries	36,754,059.45	10,159,218.00	<b>46,913,277.45</b>
3063	Lands, Physical Planning and Natural Resources	5,652,418.00	0.00	<b>5,652,418.00</b>
3064	Medical and Public Health Services	240,334,515.00	73,459,356.00	<b>313,793,871.00</b>
3065	County Assembly	96,303,023.00	10,656,943.00	<b>106,959,966.00</b>
3066	Trade and Cooperative Development	6,225,548.00	6,767,115.00	<b>12,992,663.00</b>
3067	Community Development, Culture and Talent Management	9,946,398.00	15,290,244.00	<b>25,236,642.00</b>
3068	County Executive	26,467,488.00	5,407,499.00	<b>31,874,987.00</b>
3069	Education, Research and HR Development	45,841,771.20	89,462,368.00	<b>135,304,139.20</b>
3070	Water Services	7,046,400.00	65,163,214.00	<b>72,209,614.00</b>
3071	Infrastructure and Public Works	15,772,720.00	13,830,003.00	<b>29,602,723.00</b>
3072	Tourism, Investment and ICT	4,698,417.00	9,791,423.00	<b>14,489,840.00</b>
3073	County Public Service Board	7,557,658.00	0	<b>7,557,658.00</b>
3074	Public Service and Administration	23,200,816.00	0.00	<b>23,200,816.00</b>
	<b>TOTAL</b>	<b>580,083,267.00</b>	<b>301,590,879.00</b>	<b>881,674,146.00</b>

**Source:** Kwale County Treasury

## CHAPTER THREE: MACROECONOMIC POLICY FRAMEWORK AND MEDIUM TERM OUTLOOK

### External Environment

**88.** Global growth is projected to slow to 3.1 percent in 2016 before recovering to 3.4 percent in 2017. The forecast, revised down by 0.1 percentage point for 2016 and 2017 relative to April, reflects a more subdued outlook for advanced economies following the June U.K. vote in favor of leaving the European Union (Brexit) and weaker-than-expected growth in the United States.

**89.** These developments have put further downward pressure on global interest rates as monetary policy is now expected to remain accommodative for longer. Although the market reaction to the Brexit shock was reassuringly orderly, the ultimate impact remains very unclear as the fate of institutional and trade arrangements between the United Kingdom and the European Union is uncertain. Financial markets in the emerging market economies have improved with the expectations of lower interest rates in advanced economies, reduced concern about China's near-term prospects following policy support to growth, and some firming of commodity prices. But prospects differ sharply across countries and regions, with emerging Asia in general and India in particular showing robust growth and sub-Saharan Africa experiencing a sharp slowdown.

**90.** In the advanced economies, a subdued outlook subject to sizable uncertainty and downside risks may fuel further political discontent with anti-integration policy platforms gaining more attraction. Several emerging markets and developing economies still face daunting policy challenges in adjusting to weaker commodity prices. These worrisome prospects make the need for a broad-based policy response to raise growth and manage vulnerabilities more urgent than ever.

**Table 3: Growth Projections for Selected Regions/ Countries, October 2016**

REGION/COUNTRY	WEO OCTOBER 2016		
	GDP ACTUAL	GDP PROJECTED	
	2015	2016	2017
<b>World</b>	<b>3.2</b>	<b>3.1</b>	<b>3.4</b>
<b>Advanced Economies</b>	<b>2.1</b>	<b>1.6</b>	<b>1.8</b>
USA	2.6	1.6	2.2
<b>Euro Area</b>	2.0	1.7	1.5
Germany	1.5	1.7	1.4
France	1.3	1.3	1.3
Italy	0.8	0.8	0.9
Spain	3.2	3.1	2.2
Japan	0.5	0.5	0.6
United Kingdom	2.2	1.8	1.1
Canada	1.1	1.2	1.9
Other Advanced Economies <sup>2</sup>	2.0	2.0	2.3
<b>Emerging Market and Developing Economies</b>	<b>4.0</b>	<b>4.2</b>	<b>4.6</b>
Commonwealth of Independent States	-2.8	-0.3	1.4
Russia	-3.7	-0.8	1.1
Excluding Russia	-0.5	0.9	2.3
Emerging and Developing Asia	6.6	6.5	6.3
China	6.9	6.6	6.2
India <sup>3</sup>	7.6	7.6	7.6
ASIAN	4.8	4.8	5.1
Emerging and Developing Europe	3.6	3.3	3.1
Latin America and the	0.0	-0.6	1.6
Brazil	-3.8	-3.3	0.5
Mexico	2.5	2.1	2.3
Middle East, North Africa, Afghanistan, and Pakistan	2.3	3.4	3.4
Saudi Arabia	3.5	1.2	2.0
Sub-Saharan Africa	3.4	1.4	2.9
Nigeria	2.7	-1.7	0.6
South Africa	1.3	0.1	0.8
<b>Commodity Prices (U.S. dollars)</b>			
Oil <sup>5</sup> –	-47.2	-15.4	17.9
Nonfuel (average based on world commodity export weights) –	-17.5	-2.7	0.9
<b>Consumer Prices</b>			
Advanced Economies	0.3	0.8	1.7
Emerging Market and Developing Economies <sup>6</sup>	4.7	4.5	4.4

**Source: IMF World Economic Outlook**

**91.** Economic activity in sub-Saharan Africa has weakened markedly, but as usual, with a large variation in country circumstances. Growth for the region as a whole fell to 3½ percent in 2015, the lowest level in some 15 years, and is set to decelerate further this year to 3 percent—well below the 5 to 7 percent range experienced over the past decade. The sharp decline in commodity prices has put severe strains on many of the largest sub-Saharan African economies. At the same time, many other countries continue to register robust growth. Most oil importers are generally faring better, with growth in excess of 5 percent and even higher in countries such as Côte d’Ivoire, Kenya, and Senegal. In most of these countries, growth is being supported by ongoing infrastructure investment efforts and strong private consumption. The decline in oil prices has also helped these countries, though the windfall has tended to be smaller than expected, as exposure to the decline in other commodity prices and currency depreciations have partly offset the gains in many of them.

**92.** Kenya's economy is expected to remain resilient. Real GDP is projected to grow by 6 percent in FY 2017/18 underpinned by continued good performance of all the sectors of the Kenyan economy. Continued implementation of prudent fiscal and monetary policies is envisaged and so inflation is expected to remain low and stable. This will be sustained as food and oil prices are stabilized as well as exchange rate of the Kenyan shilling against the world major economies. The signing into law of the bill proposing a cap on the interest rates at 4.0 percent above the Central Bank Rate(CBR) is expected to boost investment and encourage growth accompanied by multiplier effect to the county’s economy. The growth is expected to be sustained within our economy upon receiving adequate normal rains. Threats of the climate change will be subdued, security will be improved and investor confidence restored.

### **Kenya’s Growth Prospects**

**93.** Business Media Inc.(BMI) reported that Kenya remained resilient through a turbulent 2015 characterized by currency instability and monetary tightening to post an economic growth of 5.6% in 2015 from 5.3% in 2013. BMI forecasts Kenya’s economy to grow by 6% in 2016 and by an average of 6.1% between 2016 and 2020 supported by strong public investment in infrastructure, a dynamic services sector and favorable demographics.

BMI projects the Kenyan Government's spending to rise by 7.7% in 2016 from 5.8% in 2015 as it remains committed to spending heavily on infrastructure. According to BMI, consumer spending will also be a key driver of Kenya's economic growth between 2016 and 2020. BMI predicts private spending to grow from KES 4.7 trillion in 2015 to KES 8.7 trillion in 2020 due to rising incomes, favorable demographics and growing financial inclusion as mobile financial services continue to spread across the country.

### **Risks to the Outlook**

**94.** The risks to the economic outlook for 2016/17 and the medium-term include delayed disbursement of funds from the national exchequer and continued uneven and sluggish growth in advanced economies that will impact negatively on our exports and tourism activities. Public expenditure pressures, especially recurrent expenditures, continue to pose fiscal risk to the County Government. Huge wage bill is imminent as the County Government continues to hire personnel in key sectors. The county government in conjunction with the national government will monitor the situation and put up mitigation measures as these risks materialize. Other risks will include unreliable rainfall patterns like what was experienced in 2015 and during the first and second quarter of 2016. This caused drought in larger parts of the Northern side of the county and adversely affected the performance of our local economy. The county will devise adaptation methods to overcome the effects of drought. That notwithstanding, we remain optimistic that growth projections outlined in February 2016 CFSP will be achieved.

### **Fiscal Policy**

**95.** As pointed out in the 2016 CFSP and reiterated in this 2017 CFSP, the County's Medium term fiscal policy seeks to support a rapid sustainable county economy to ensure effective service delivery. Towards this end, the county government will take deliberate efforts in allocating adequate resources for development programmes at 51 percent compared to 48 percent allocation for recurrent expenditures. The Fiscal policy underpinning the FY 2017/18 Budget aims at raising county own revenue from an estimated 10 percent of actual revenue collected in FY 2015/16 while at the same time containing the growth of recurrent expenditures.

## Adherence to Fiscal Responsibility Principles

**96.** The County government in its fiscal policy will strive to adhere to the fiscal responsibility principles outlined in section 107 of the Public Finance Management Act,2012. This is explained as follows:-

- i. Over the medium term, a minimum of 30% of the county budget to be allocated to development expenditure. The proposed development expenditure in this CFSP amounts to about 51 percent which is the county's intention to maintain it at this level over the medium term.
- ii. The county government's expenditure on wages and benefits for its employees shall not exceed a percentage of the county government revenue as prescribed by regulations. On wages and benefits, the share of expenditure to our total revenue was 25 percent in FY 2013/14, 23.50 percent in FY 2014/2015,31 percent in FY 2016/2017 and to be maintained at about 30 percent in FY 2017/18.
- iii. 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's policy is aimed at utilizing any external financing only for capital projects. We will adhere to this in our medium debt strategy.
- iv. Public debt and obligations shall be maintained at a substantial level as approved by the County Assembly. In our medium term debt strategy, the county government shall at all times ensure public debt sustainability.
- v. Fiscal risks shall be managed prudently. The county government shall put up appropriate mitigation strategies to arrest such risks as they arise.
- 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. The Finance bill and other associated bills shall be fast tracked to ensure there is efficient and effective collection of our revenues.

## CHAPTER FOUR: FY 2017/18 BUDGET AND THE MEDIUM TERM

### Overview

**97.** The FY 2017/2018 budget framework is set against the background of the updated medium-term macro-fiscal framework set above.

### Resource Envelope

**98.** The resource envelope available for allocation among the programmes is based on the fiscal policy and medium term fiscal framework which is explained as follows:

### Revenue Projections

**99.** The medium term fiscal framework for the FY 2017/18 is set based on macroeconomic policy framework set out in Chapter III.

**100.** The FY 2017/18 county budget targets revenue collection of about **Ksh.7,886,806,793.00** from all the sources of revenues. The county government is expecting to receive **Kshs 7,239,095,072** as its equitable share of revenue from the National Government. This will be a great improvement from previous financial year's allocation of **Kshs 5,530,693,069.00**. The conditional grants and loans have dropped to **Ksh 372,711,721.00** from a figure of **Ksh 433,394,643.00** allocated in last financial year 2016/2017. This is on account of free maternal healthcare funding which goes to the National Government and the freeze on DANIDA grant. The targeted county own source revenue has a slight decline from **Ksh 330,000,000** in FY 2016/17 to **Ksh 275,000,000** targeted for FY 2017/2018. This reflects a realistic target in terms of collection efficiency and effectiveness.

**101.** Table 4 below shows the Kwale County Expected Revenue Envelope for the MTEF period FY 2016/17 - FY 2018/2019

**Table 4: County Revenue Estimates MTEF FY 2016/17- FY2018/19**

<b>SOURCE OF REVENUE</b>	<b>REVENUE ESTIMATES FY2016/2017</b>	<b>REVENUE ESTIMATES FY2017/2018</b>	<b>REVENUE ESTIMATES FY2018/2019</b>
Equitable Share of Revenue from National Government	5,530,693,069.00	7,239,095,072.00	6,197,473,425.15
County Own Revenue	330,000,000.00	275,000,000.00	287,153,311.83
<b>Sub Total</b>	<b>5,860,693,069.00</b>	<b>7,514,095,072.00</b>	<b>6,484,626,736.98</b>
<b>CONDITIONAL GRANTS</b>			
Free Maternal Healthcare	119,385,662.00	-	109,663,470.00
Compensation for User Fees Forgone	15,397,611.00	15,209,593.00	18,631,109.31
Leasing of Medical Equipment	95,744,681.00	95,744,681.00	95,744,681.00
World Bank Grant on Kenya Devolution Support Programme	28,911,338.00	-	28,911,338.00
Road Maintenance Levy	84,979,062.00	190,575,000.00	102,824,665.02
<b>Sub Total</b>	<b>344,418,354.00</b>	<b>301,529,274.00</b>	<b>390,568,444.35</b>
<b>LOANS AND GRANTS</b>			
World Bank Loan to Supplement Financing of County Health facilities	82,166,289.00	71,182,447.00	99,421,209.69
DANIDA Grant to Supplement Financing of County Health facilities	6,810,000.00	-	8,240,100.00
<b>Sub Total</b>	<b>88,976,289.00</b>	<b>71,182,447.00</b>	<b>107,661,309.69</b>
<b>Grand Total</b>	<b>6,294,087,712.00</b>	<b>7,886,806,793.00</b>	<b>7,589,668,367.53</b>

**Source:** Kwale County Treasury



### *Expenditure Projections*

**102.** Total county expenditure in the FY 2017/18 is projected at Ksh.7,886,806,793.00 Recurrent expenditure will amount to **Kshs 3,323,222,556.00** compared to Kshs **2,757,392,135.00** allocated in the current FY 2016/17. This is an improvement of about 20.5 percent. The ceiling for development expenditures in nominal terms amounts to **Ksh4,563,584,237.00** billion in the FY 2017/18 compared to **Kshs 3,507,784,239.00** allocated in the current FY 2016/17. This shows a growth of 30 percent allocation for development programmes.

**103.** Expenditure ceilings on goods and services for sectors/departments are based on funding allocation in the current FY 2016/17 budget as the starting point. The ceilings are then adjusted to take into account one-off expenditures in FY 2016/17 and then an adjustment factor is applied to take into account the general increase in prices.

**104.** In terms of expenditure ratios, this 2017 CFSP proposes 51 per cent of the budget to be allocated to development programmes while the balance of 49 per cent be allocated to recurrent expenditure. On the recurrent expenditure, personnel emoluments will be allocated 65.39 per cent of the total recurrent budget and 34.61 per cent will cover operations and maintenance.

**105.** Adjustments to the FY 2016/17 budget will take into account actual performance expenditure and absorption capacity so far and for the rest of the financial year. In the face of expenditure pressures, the county government will rationalize expenditures by cutting those that are non-priority. However, caution will be taken to ensure development expenditure is not expended on recurrent activities. Updating and utilization of the emergency fund will be within the criteria specified in the PFM law.

**106.** Based on the foregoing analysis the table below(next page) provides the projected baseline ceilings for the 2017/18 – 2019/20 MTEF, classified by sector.

**Table 5: 2017/18- 2019/20 Medium Term Expenditure Framework Sector Ceilings**

SECTOR		Estimates 2016/17	Ceiling 2017/18	PROJECTIONS	
				2018/19	2019/20
<b>AGRICULTURE, RURAL AND URBAN DEVELOPMENT</b>	<b>TOTAL</b>	<b>487,015,872.49</b>	<b>439,048,958.56</b>	<b>465,969,900.78</b>	<b>489,268,395.82</b>
Agriculture, Livestock and Fisheries	Sub Total	358,536,130.41	315,598,977.30	336,176,273.69	352,985,087.37
Lands, Physical Planning and Natural Resources	Sub Total	128,479,742.08	123,449,981.26	129,793,627.09	136,283,308.45
<b>GENERAL ECONOMIC, COMMERCIAL AND LABOUR AFFAIRS</b>	<b>TOTAL</b>	<b>488,692,811.77</b>	<b>370,219,268.14</b>	<b>319,736,914.89</b>	<b>335,723,760.64</b>
Trade and Cooperative Development	Sub Total	291,835,272.38	222,274,875.44	219,819,745.44	230,810,732.72
Tourism , Investment & ICT	Sub Total	196,857,539.39	147,944,392.70	99,917,169.45	104,913,027.92
<b>HEALTH</b>	<b>TOTAL</b>	<b>1,987,220,284.05</b>	<b>1,916,345,081.52</b>	<b>1,915,055,682.39</b>	<b>2,010,808,466.51</b>
<b>EDUCATION</b>	<b>TOTAL</b>	<b>1,557,488,601.75</b>	<b>1,345,298,774.03</b>	<b>1,251,822,238.51</b>	<b>1,314,413,350.43</b>
<b>PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS</b>	<b>TOTAL</b>	<b>1,771,502,721.45</b>	<b>1,697,780,188.67</b>	<b>1,486,900,281.14</b>	<b>1,561,245,295.20</b>
County Assembly	Sub Total	824,535,680.64	606,804,086.00	545,028,836.56	572,280,278.39
County Executive Services	Sub Total	278,303,031.89	202,271,966.44	206,613,891.16	216,944,585.72
Public Service and Administration	Sub Total	293,100,257.89	391,982,639.02	319,902,235.10	335,897,346.86
County Treasury	Sub Total	341,120,150.62	451,113,140.23	377,381,248.87	396,250,311.31
County Public Service Board	Sub Total	34,443,600.41	45,608,356.98	37,974,069.45	39,872,772.92
<b>SOCIAL PROTECTION,CULTURE AND RECREATION</b>	<b>TOTAL</b>	<b>400,412,177.98</b>	<b>375,721,119.55</b>	<b>257,404,203.86</b>	<b>270,274,414.06</b>
<b>WATER SERVICES AND INFRASTRUCTURE</b>	<b>TOTAL</b>	<b>1,432,876,386.66</b>	<b>1,369,681,681.53</b>	<b>634,597,842.99</b>	<b>666,327,735.14</b>
<b>CONDITIONAL GRANTS</b>	<b>TOTAL</b>	<b>0.00</b>	<b>372,711,721.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL</b>	<b>TOTAL</b>	<b>8,158,475,226.15</b>	<b>7,886,806,793.00</b>	<b>6,864,435,073.31</b>	<b>7,207,656,826.98</b>

Source: Kwale County Treasury

## **FY 2017/18 Medium Term Budget**

**107.** In this FY 2017/2018 Budget, proposals from departments will be carefully evaluated and priority given to development expenditures and essential recurrent expenditures while curtailing any non-priority expenditures. The CIDP 2013 – 2017 strategic objectives, the sector planned priorities outlined in this 2017 CFSP and our spirit of attaining the objectives of Vision 2030 will guide the resource allocation in the 2017/18 budget. Other factors that will guide the resources allocation shall include (i) degree to which a programme addresses core poverty interventions, (ii) degree to which the programme is addressing the core mandate of the respective divisions within the sub sector, (iii) expected outputs and outcomes from a programme, (iv) cost effectiveness and sustainability of the programme, (v) contribution to Prudent Financial Management, (vi) immediate response to the requirements and furtherance of the implementation of the Constitution, (vii) affirmative action and harmonization.

**108.** As outlined in the CFSP 2016 and reiterated in this 2017 CFSP, the constitution and the PFM Act, 2012 requires county governments to promote budgetary transparency, accountability and effective management of public resources. In line with this statutory requirement, the County Government of Kwale will continue working towards eliminating inefficient and wasteful public spending at all levels in order to promote public trust in public spending.

**109.** The County Government is committed towards improving the implementation and absorption capacity of projects. On average, the County Treasury has recommended for an absorption of about 80 per cent of the projects funds across all departments. Timely preparation of procurement plans by departments and early commencement of public procurement processes will be emphasized in the FY 2017/18 budget execution.

**110.** Going by the medium term policy mentioned above, the county budget for FY 2017/18 will focus on the following:-

(i) Continue prioritizing education as a key sector for rapid transformation of the county. As such education will continue receive the lion's share of the budgetary resources in the FY 2017/2018. Education sector will be allocated about 27.4 percent of the county budgetary resources for development.

(ii) Health continues to be a priority in the county's quest to ensure a healthy and productive population. This sector will have a bigger share of the county revenue envelope. In the FY 2017/2018 budget about 23.2 percent of the funds shall be allocated to this sector.

(iii) The social sectors-water and infrastructure are vital for rapid and sustainable socio-economic development. These are the enablers for faster development and will receive about 15 percent from the county's resource envelope.

(iv) The public administration and international relations sector will be funded adequately. This sector is at the core of spearheading development and ensuring effective public service delivery through the formulation of sound policies, offering leadership and direction and oversight of all county programmes. The sector will receive about 15 percent of the county budgetary resources.

(v) The economic sectors of agriculture, trade, tourism and investment will receive adequate funding to sustain them and ensure equitable and inclusive development. The social sectors of community development, culture and talent management will also receive adequate funding. These sectors will share about 10 percent of county resources in the FY 2017/2018.

### **FY 2017/2018 Budget Sector Ceilings Apportionment**

**111.** The baseline estimates used in this 2017 CFSP reflect the average county departments spending levels over the last three years of budget execution. In the recurrent expenditure, personnel emoluments, staff pensions and any anticipated salary increments will take first charge but will be controlled to ensure they do not exceed the threshold of 35 per cent. In this CFSP 2017, personnel amounts account for about 27.4 percent of the budgetary resources.

**112.** Other recurrent expenditures will be examined and expenditure on non-essential items will be curtailed and wastage of resources eliminated. Once off expenditure items will be curtailed and only made where it is critical. The operations and maintenance expenditure bracket will not exceed 15 percent of our budgetary resources.

**113.** The basis for allocation of development expenditures in the FY 2017/2018 shall take into account the strategic priorities outlined in the CIDP 2013-2017 and those that have been proposed in this 2017 CFSP. The criteria that shall be used to apportion the FY 2017/2018 development budget shall include:-

- i. Taking a first charge on the ongoing projects which the county government has committed itself to ensure their completion.
- ii. Projects with greatest benefits to the citizens with high impact on rapid socio economic development in the county. Such include projects in the area of social infrastructure to achieve equity, poverty reduction and job creation.
- iii. Counterpart funds: priority will also given to adequate allocations to ensure donor funded projects with great benefit to the citizens are undertaken. These include projects funded by the European Union(Whole Sale Market in Kombani) and the water projects funded by the Water Services Trust Fund(WSTF).

### **Emergency Fund Allocation for Disaster Management**

**114.** The County Government will allocate a maximum of 2 percent of the total budget to cater for emergency cases. In the supplementary budget for FY 2016/2017, the County Government has allocated Ksh 79 Million for emergency services to assist families in the dry area of Kinango and Lungalunga who are faced with hunger and starvation. The areas have not received adequate rains for the last two years in most parts leading to prolonged drought and crop failure. These areas depend on rain fed agriculture and traditional methods of farming. The long term solution to this problem would be to practice smart agriculture and establishment of irrigation schemes and dams and also working towards ensuring there is clean and safe piped water for the residents.

## Finalization of Spending Plans

**115.** When finalizing the preparation of the detailed budgets both itemized and programme based, proper scrutiny of expenditure items will be done to curtail spending on non-productive areas and ensure resources are directed to county priority programmes. As the budgets are carefully scrutinized and the resources available are firmed up, savings could be made. In the event savings are realized and therefore additional resources are made available, priority will be given to the following:-

- i. Funding for interventions made during public sector hearings which may have greater impact and benefit to the citizens
- ii. Implementation of any outstanding areas not accommodated within the baseline ceilings allocated to departments
- iii. Any new projects the county executive committee has justified and the County Assembly has approved and which are aligned to our strategic priorities
- iv. Strategic intervention in the areas of education and health for which may become crucial to be undertaken
- v. Specific consideration for affirmative action on youth, women and persons with special abilities to create jobs and empower them

## Details of Sector Priorities

**116.** Sector priorities have taken into account priorities of the County Integrated Development Plan 2013-2017 and broad strategic priorities of Kenya vision 2030. All sectors have considered the successes made so far and consolidated the gains while at the same time addressed the challenges which continue to derail the county transformation agenda. Sectors through the Sector Working groups reviewed their performances and put forward their financial plans taking into consideration the reality of scarce and the need to ensure optimal allocation of resources with efficiency, economy and effectiveness. The details of the sector priorities are explained as follows:-

## Agriculture, Rural and Urban Development (ARUD) Sector

**117.** This sector is comprised of the department of Agriculture, Livestock Development and Fisheries and the department of Lands, Physical Planning and Natural Resources. The goal of this sector is to attain food security, sustainable land management, housing and sustainable urban infrastructure development. Article 43 of the Constitution 2010 in the Chapter on Bill of Rights, provides for accessibility of food of acceptable quality and accessible and adequate housing which is consistent with the aspirations of Vision 2030 (Second MTP 2013-2017).

**118 .**The key objectives of the sector include (i) enhance agricultural productivity with a view of attaining food security and improving household's incomes, (ii) promote livestock production and improve on livestock products and by-products and (iii) promote fish production for income generation and employment creation. Others are to provide an effective framework to guide land use planning and development, efficient and sustainable management of natural resources and increase area under forest coverage from current 5 percent to about 10 percent by 2017.

**119.** During the FY 2017/2018 MTEF Budget, the sector's prioritized programmes include: enhancement of the supply of inputs particularly fertilizer and planting materials, setting up of irrigation schemes, vaccination and disease control, crop and livestock insurance schemes, operationalization of fish landing sites, development and dissemination of the County Spatial Plan. To undertake these programmes, the sector will require **Kshs.439.05 Million** in the financial year 2017/18. Kshs **229 Million** will be for recurrent purposes and **Kshs.210 Million** will be for development expenditure.

**120.** The sector has also proposed the employment of more agricultural extension officers, value addition in livestock products, support to agricultural mechanized services and

establishment/revival of food processing plants. The sector will also promote smart agriculture through increased mechanization services, demonstration agriculture in the Agricultural Training Centres and increased provision of certified drought resistant seeds. This will enhance agricultural productivity and enhance food security. The sector will participate in the organization of the Kwale Agricultural Show to facilitate marketing of Kwale agricultural products and offer investment opportunities to the local farmers.

**121.** The department of lands, physical planning and natural resources in collaboration with the National Land Commission address land based conflicts. The other priorities include land banking, adjudication and settlement of people and surveying and mapping of resources. In addition, the county will strive to establish county spatial data infrastructure, tackle the problem of squatter and informal settlements and development of a master plan for development of social and physical urban infrastructural facilities.

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

**122.** This Sector is made up of the department of Community Development, Culture and Talent Management. The Sector is mandated to address the issues on promotion and exploitation of County's diverse culture for peaceful co-existence; enhancing County's reading culture; development and promotion of sports; preservation of County's heritage and promotion of cultural activities.

**123.** The sector's key goals are to (i) promote, develop and revitalize community and social development for sustainable development, (ii) identify, nurture, develop and manage sports, arts



and talents to foster economic empowerment, unity and social integration, and (iii) promote and develop diverse cultural and social heritage for economic development.

**124.** As outlined in the 2016 CFSP, the sector priorities will continue to emphasis on creating an enabling environment for the development and promotion of Kwale rich cultural heritage for generation of revenue and creation of employment. Development of a sports policy to guide sports activities, rehabilitation of sport fields, a sports academy and talent centre to help nurture top level skills and support to football clubs and musical bands and coming up with games that are specific to the persons with special abilities (Paralympics).

**125.** In order to implement the prioritized programmes, the Sector has been allocated Ksh **375.7 Million**, Ksh 257.4 Million and Ksh 270.3 Million for the financial years 2017/18, 2018/19 and 2019/20 respectively. Recurrent expenditure allocation is **Ksh 91.5 Million**, Ksh 77.33 Million and Ksh 81.2 Million for the financial years 2017/18, 2018/19 and 2019/20 respectively, whereas development expenditure for the same period is **Ksh 284.2 Million**, Ksh 180.1 Million, and Ksh 189.1 Million respectively.

## Education Sector

**126.** The sector is represented by the department of Education, Research and Human Resource Development. The mandate of the sector at the county is Early Childhood Development and Education and youth vocational training. The key goals of the sector include to (i) improve access to quality pre-primary education to all children in the county (ii) empower the youth in technical, vocational and entrepreneurship knowledge and skills. (iii) Improve the standards of education and ensure sustainable human capital development for economic transformation of the county.

**127.** During the 2016/17- 2018/19 MTEF period, the sector will focus on: improving the infrastructural facilities and equipping ECDE centres and youth polytechnics, quality assurance and standards enhancement, enhancing youth polytechnics by initiating relevant curriculum to the labour market and up scaling entrepreneurial skills and continuing supporting needy students through the scholarship and bursaries programme.

**128.** In order to implement the prioritized programmes, the Sector has been allocated Ksh **1,345.30 Million**, Ksh 1,251.82 Million and Ksh 1,314.41 Million for the financial years 2017/2018, 2018/2019 and 2019/20 respectively. Recurrent expenditure allocation is **Ksh 256.60 Million**, Ksh 261.12Million and Ksh 274.18 Million for FY2017/18, 2018/19 and 2019/20 respectively whereas development expenditure for the same period is **Ksh 1,088.70 Million**, Ksh 990.69Million, and Ksh 1,040.23 Million respectively.

## Health Sector

**129.** This sector is represented by the department of Medical and Public Health Services. The Health sector's goal is to attain equitable, affordable, accessible and quality health care for all. This will be achievable through elimination of the communicable diseases, minimizing exposure to health risks by strengthening health promoting interventions that address risk factor to health and strengthening collaboration with private and other sectors that have an impact on health. The key objectives of the sector include (i) reduce disease burden associated with unhealthy lifestyles and environmental health risk factors. (ii) Provide essential health services that are accessible, responsive and affordable to county population.

**130.** The Kwale County’s strategy on health care is to build a healthy population that can ensure higher productivity for sustained economic transformation and long term county development. This will be attained through putting more emphasis on upgrading of health facilities by equipping dispensaries and hospitals, and enhancing quality assurance and standards in health care service provision like increased supply of medical drugs and construction of an X-ray block. Additional areas of focus will include strengthening the community health strategy by facilitating and equipping Community Health Volunteers (CHVs), and establishment of emergency response units at the ward level.

**131.** To implement the prioritized programmes, the sector has been allocated **Ksh1,916.34 Million**, Ksh1,915.06 Million and Ksh 2,010.81 Million for the financial years 2017/2018, 2018/2019 and 2019/2020 respectively. Recurrent expenditure allocation is **Ksh 1,037.35 Million**, Ksh 1,243.6 Million and Ksh 1,305.8 Million for FY 2017/2018, 2018/2019 and 2019/2020 respectively, whereas development expenditure for the same period is **Ksh 878.99 Million**, Ksh 671.47 Million, and Ksh 705.04 Million.

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

**133.** The sector comprises of the department of Trade, Industry and Cooperatives Development and the department of Tourism and Investment. The general objectives of the sector include: promotion and development of trade, tourism, industrialization and entrepreneurship, innovation, savings mobilization and investment. The county intends to achieve this through construction of markets(open air markets and market stalls) and rehabilitation of existing markets(market sheds and fencing),construction of agricultural produce centres e.g. Vanga Rice Collection center, formation of cooperative societies, initiating a county trade fair in 2018 and promotion of fair trade practices through active participation in the International Standards day.

**134.** During the FY 2017/18- FY 2019/20 MTEF period, the sector will focus on expansion and promotion of new tourists attraction sites, providing business skills and entrepreneurship training to small scale traders, promote domestic tourism and enhancing management of the Trade Revolving Fund. The county government will consider possible innovative ways of marketing the county for instance providing uniforms/ T- Shirts for Boda Boda riders that bear messages aimed at attracting investors and tourists. Others are strengthening governance of cooperative societies, promotion and marketing of products, ensure guaranteed safety along the sea shores by building watch towers and formulation of beach management policies, and market infrastructure development.

**135.** In order to implement the prioritized programmes, the sector has been allocated **Ksh 370.2 Million**, Ksh 319.74 Million and Ksh 335.72 Million for the financial years 2017/2018, 2018/2019 and 2018/2020 respectively. Recurrent expenditure allocation is **Ksh 100.7 Million**, Ksh 99.24 Million and Ksh 104.2 Million for FY2017/18, 2018/19 and 2019/20 respectively, whereas development expenditure for the same period is **Ksh 269.5 Million**, Ksh 220.5 Million, and Ksh 231.5 Million respectively.

### **Public Administration and Internal Relations Sector (PAIRS)**

**136.** The sector is comprised of; County Executive Services, Public Service and Administration, Finance and Economic planning (County Treasury), County Public Service Board and the County Assembly. This sector is mandated to provide overall policy, leadership, and oversight in economic and devolution management to the county, public service delivery and resource mobilization. It further coordinates county policy formulation, implementation as well as facilitating the tracking of the implementation of county programmes and projects. The main objectives of the sector include (i) provide overall policy and leadership direction for county prosperity; (ii) promote good governance and accountability in the management of public affairs at the county level; (iii) promote prudent economic, financial and fiscal management for growth and economic stability; (iv) provide quality, efficient, effective, results based and ethical public services for county

development; (v) promote and strengthen county legislation, oversight over public agencies and good governance.

**137.** As outlined in the 2016 CFSP and reiterated in this 2017 CFSP, the sector will emphasis on preparation and passage of county bills to ensure smooth and efficient service delivery, strengthening governance structures for good governance and public participation in county policy formulation, strict adherence to relevant Public Financial Management legislations and enhancing prudent use of public financial resources. In addition, the sector will work towards establishing an appropriate monitoring and evaluation framework, digitizing the selection and recruitment of county employees and strengthening the oversight, legislation and representation role of the County Assembly.

**138.** In order to implement the prioritized programmes, the sector has been allocated Ksh **1,697.8 Million**, Ksh 1,486.90 Million and Ksh 1,561.25 Million for the financial years 2017/2018, 2018/2019 and 2019/2020 respectively. Recurrent expenditure allocation is **Ksh 1,404.8 Million**, Ksh 1,300.02 Million and Ksh 1,365.03 Million for FY2017/18, 2018/19 and 2019/20 respectively whereas development expenditure for the same period is **Ksh 293 Million**, Ksh 186.88 Million, and Ksh 196.22 Million respectively.

## **Water Services and Infrastructure Sector**

**139.** This sector is comprised of the department of water services with a Semi Autonomous Government Agency (SAGA) -the Kwale Water and Sewerage Company (KWAWASCO) and the department of infrastructure and public works. The key objectives for this sector include (i) improve household access to safe portable water from the estimated current 45 percent to 60 percent by 2017, and (ii) improve the existing transport infrastructure for faster socio economic transformation of the county .

**140.** Projects that will be given priority in the MTEF period of 2017/18- 2019/20 include assessment, survey, design and development of water supply systems and maintenance of community water projects. Other priority areas include enhanced water sources protection and storage, improving rain water harvesting, construction of boreholes and dams, extension of existing water pipelines and support to KWAWASCO. Under the infrastructure and public works,

the subsector will focus on upgrading county access roads through construction of bridges and culverts, gravelling and the murraming of roads. In so doing safeguard will be undertaken through checks, monitoring and close supervision to ensure good workmanship and value for money. In carrying out the inspection, the sub sector will acquire a supervision vehicle.

**141.** .In order to implement the prioritized programmes, the Sector has been allocated **Ksh 1,369.7 Million**, Ksh 538.79 Million and Ksh 592.66 Million for the financial years 2016/2017, 2017/2018 and 2018/2019 respectively. Recurrent expenditure allocation is **Ksh 196.9 Million**, Ksh 58.31 Million and Ksh 64.14 Million for FY2016/17, 2017/18 and 2018/19 respectively, whereas Development expenditure for the same period is **Ksh 1,172.8 Million**, Ksh 480.48 Million, and Ksh 528.53 Million.

## **CHAPTER FIVE: CONCLUSION**

**142.** This 2017 County Fiscal Strategy Paper has been prepared in accordance to the statutory requirements and details the strategic priorities to be implemented in the FY 2017/18 budget and the medium term. This 2017 CFSP will firm up the recommendations and conclusions reached in the latest County Budget Review and Outlook paper. The sector ceilings in this 2017 CFSP have been firmed up and thus form a basis for the FY 2017/2018 budget and the medium term. This will guide departments in preparing their budgets for FY 2017/2018.

**143.** This FY 2017/18 CFSP has proposed a fiscal policy which takes into account the implementation of our broad strategic priorities espoused in our First Integrated Development Plan-2013-2017 and has also been aligned to the policy mix of a five pillar economic

transformation agenda for a shared prosperity as re-emphasized in the 2017 Budget Policy Statement.

**144.** Public deliberations carried out vigorously through the entire budget making process have highlighted key priorities which will address the county's development challenges. Sector working groups have been instrumental in devising appropriate strategies from the views collected during the public hearings for preparation of this CFSP.

## APPENDICES

Appendix I –Table 6: 2017/18- 2019/20 Medium Term Expenditure Framework Recurrent Sector Ceilings

SECTOR		Estimates 2016/2017	Ceiling 2017/2018	PROJECTIONS	
				2018/2019	2019/2020
<b>AGRICULTURE, RURAL AND URBAN DEVELOPMENT</b>	<b>TOTAL</b>	<b>222,648,436.08</b>	<b>229,048,958.56</b>	<b>245,469,900.78</b>	<b>257,743,395.82</b>
Agriculture, Livestock and Fisheries	Sub Total	168,731,314.00	172,598,977.30	186,026,273.69	195,327,587.37
Lands, Physical Planning and Natural Resources	Sub Total	53,917,122.08	56,449,981.26	59,443,627.09	62,415,808.45
<b>GENERAL ECONOMIC, COMMERCIAL AND LABOUR AFFAIRS</b>	<b>TOTAL</b>	<b>90,010,807.16</b>	<b>100,719,268.14</b>	<b>99,236,914.89</b>	<b>104,198,760.64</b>
Trade and Cooperative Development	Sub Total	57,478,227.16	56,774,875.44	63,369,745.44	66,538,232.72
Tourism and Investment	Sub Total	32,532,580.00	43,944,392.70	35,867,169.45	37,660,527.92
<b>HEALTH</b>	<b>TOTAL</b>	<b>1,047,831,654.05</b>	<b>1,037,350,850.52</b>	<b>1,243,586,739.84</b>	<b>1,305,766,076.84</b>

<b>EDUCATION</b>	<b>TOTAL</b>	<b>236,850,556.47</b>	<b>256,598,774.03</b>	<b>261,127,738.51</b>	<b>274,184,125.43</b>
<b>PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS</b>	<b>TOTAL</b>	<b>1,179,160,833.19</b>	<b>1,404,803,557.67</b>	<b>1,300,024,818.59</b>	<b>1,365,026,059.52</b>
County Assembly	Sub Total	494,357,221.37	491,804,086.00	545,028,836.56	572,280,278.39
County Executive Services	Sub Total	115,617,622.32	126,895,335.44	127,468,428.61	133,841,850.04
Public Service and Administration	Sub Total	249,589,328.89	349,382,639.02	275,172,235.10	288,930,846.86
County Treasury	Sub Total	285,153,060.20	391,113,140.23	314,381,248.87	330,100,311.31
County Public Service Board	Sub Total	34,443,600.41	45,608,356.98	37,974,069.45	39,872,772.92
<b>SOCIAL PROTECTION, CULTURE AND RECREATION</b>	<b>TOTAL</b>	<b>70,139,867.45</b>	<b>91,495,800.55</b>	<b>77,329,203.86</b>	<b>81,195,664.06</b>
<b>WATER SERVICES AND INFRASTRUCTURE</b>	<b>TOTAL</b>	<b>51,313,236.27</b>	<b>196,881,681.53</b>	<b>56,572,842.99</b>	<b>59,401,485.14</b>
<b>TOTAL</b>		<b>3,026,116,849.85</b>	<b>3,316,898,891.00</b>	<b>3,424,646,168.21</b>	<b>3,595,878,476.62</b>

Source: Kwale County Treasury

Appendix II-Table 7: 2017/18- 2019/20 Medium Term Expenditure Framework Development Sector Ceilings

SECTOR		Estimates 2016/17	Ceiling 2017/18	PROJECTIONS	
				2018/19	2019/20
<b>AGRICULTURE, RURAL AND URBAN DEVELOPMENT</b>	<b>TOTAL</b>	<b>264,367,436.41</b>	<b>210,000,000.00</b>	<b>220,500,000.00</b>	<b>231,525,000.00</b>
Agriculture, Livestock and Fisheries	Sub Total	189,804,816.41	143,000,000.00	150,150,000.00	157,657,500.00
Lands, Physical Planning and Natural Resources	Sub Total	74,562,620.00	67,000,000.00	70,350,000.00	73,867,500.00
<b>GENERAL ECONOMIC, COMMERCIAL AND LABOUR AFFAIRS</b>	<b>TOTAL</b>	<b>398,682,004.61</b>	<b>269,500,000.00</b>	<b>220,500,000.00</b>	<b>231,525,000.00</b>
Trade and Cooperative Development	Sub Total	234,357,045.22	165,500,000.00	156,450,000.00	164,272,500.00
Tourism and Investment	Sub Total	164,324,959.39	104,000,000.00	64,050,000.00	67,252,500.00
<b>HEALTH</b>	<b>TOTAL</b>	<b>939,388,630.00</b>	<b>878,994,231.00</b>	<b>671,468,942.55</b>	<b>705,042,389.68</b>



<b>EDUCATION</b>	<b>TOTAL</b>	<b>1,320,638,045.28</b>	<b>1,088,700,000.00</b>	<b>990,694,500.00</b>	<b>1,040,229,225.00</b>
<b>PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS</b>	<b>TOTAL</b>	<b>592,341,888.26</b>	<b>292,976,631.00</b>	<b>186,875,462.55</b>	<b>196,219,235.68</b>
County Assembly	Sub Total	330,178,459.27	115,000,000.00	103,500,000.00	77,625,000.00
County Executive Services	Sub Total	162,685,409.57	75,376,631.00	79,145,462.55	83,102,735.68
Public Service and Administration	Sub Total	43,510,929.00	42,600,000.00	44,730,000.00	46,966,500.00
County Treasury	Sub Total	55,967,090.42	60,000,000.00	63,000,000.00	66,150,000.00
County Public Service Board	Sub Total	0.00	00.00	0	0
<b>SOCIAL PROTECTION, CULTURE AND RECREATION</b>	<b>TOTAL</b>	<b>330,272,310.53</b>	<b>284,225,319.00</b>	<b>180,075,000.00</b>	<b>189,078,750.00</b>
<b>WATER SERVICES AND INFRASTRUCTURE</b>	<b>TOTAL</b>	<b>794,164,679.01</b>	<b>1,172,800,000.00</b>	<b>578,025,000.00</b>	<b>606,926,250.00</b>
<b>TOTAL</b>	<b>TOTAL</b>	<b>5,132,358,376.30</b>	<b>4,197,196,181.00</b>	<b>3,439,788,905.10</b>	<b>3,611,778,350.36</b>

Source: Kwale County Treasury

## APPENDIX III: SUMMARY OF PUBLIC VIEWS ON THE COUNTY FISCAL STRATEGY PAPER PRIORITIES

Public participation on the draft County Fiscal Strategy Paper were done at the Sub-County level on the 9<sup>th</sup> and 10<sup>th</sup> November, 2016. Below is a summary of the views:-

### I. Agriculture, Livestock and Fisheries

The proposed County Fiscal Strategy Paper prioritized three major development programmes on crop development, livestock promotion and fisheries development. Under the crop development, the projects proposed include provision of certified seeds, support to agricultural mechanization services, farm development at the Agricultural Training Centre in Mkongani

and the establishment of the Kwale County Agricultural show. For the livestock development the projects proposed include livestock diseases control through construction of cattle dips, fattening and improved breeding for livestock, indigenous poultry farming while for fisheries proposals included:- provision of assorted fishing accessories, development of fish landing sites and provision of fish cooling equipment.

Among the priorities proposed by the public include the establishment of a County farm of about 1,000 acres to grow food crops, establishment of irrigation schemes in each Village unit, improvement of seeds varieties to include tree crops, fruits and vegetables, provision of fertilizers and manure to farmers and extension services for farmers and crop diseases control. Under livestock development the public proposed the inclusion of poultry farming promotion, increased artificial insemination coverage and promotion of veterinary service. For fisheries promotion, the public views included: provision of cold storages instead of deep freezers, increase allocation for fisheries development, establishment of fish ponds for each village unit and encourage fishermen to participate in public participation.

## **II. Education, Research and HR Development**

The County Department of Education devolved functions include: Early childhood Development and Education and Youth Training. In the Early Childhood Development Education section the department has proposed to undertake the following:- Construction of 3 ECDE centres in each Ward, supply of water tanks and gutters for ECDE centres, installation of arts and play equipment, provision of learning materials, feeding and nutrition programme and the provision of energy saving jikos. The department has also prioritized the offering of bursaries and scholarships to students from needy families to the tune of KShs 400 million.

Under the Youth Training, the Department is prioritizing the rehabilitation/construction of youth Polytechnics, provision of tools and equipment and the recruitment of instructors.

In the public hearings the following was prioritized: recruitment of more ECDE care givers, increase coverage and access of ECDE , perimeter wall fencing and Security for ECDE Centres, rehabilitate ECDE centres not owned by the County Government, increase the bursary allocation (between 25-30M), increase Youth Polytechnics Coverage at least one in each ward.

### **III. Medical and Public Health services**

The department of Medical and Public Health services proposed three major programmes: Curative and rehabilitative health care services, Promotive and preventive care services and health infrastructural development. Under the curative and rehabilitative health care services, the department has proposed; provision of medical drugs, the provision of non-pharmaceuticals, the purchase of laboratory reagents and equipment. For the promotive and preventive services the proposed projects include implementation of the community health strategy (CHVs) and the subsidization of healthcare insurance- the Zero-Draft.

Under the health infrastructural development programme, the projects that have been proposed include: the rehabilitation of dispensaries, construction of maternity wings, rehabilitation and construction of medical staff houses, provision of hospital beds and the construction of hospital wards among others.

The public hearings revealed the following citizens priorities under health:- Increasing the budget allocation for medical drugs, increasing the number of doctors, nurses and other health attendants, recruitment of specialized health staff (physiotherapist, radiologist etc), increase the coverage of maternity wings and dispensaries, increase the Budget allocation for Community health strategy to 50 million. Provision of oxygen cylinders in health centres and improves the referral services by providing ambulance to each health centre.

### **IV. Trade and Cooperative Development**

The department of Trade and Cooperative Development has three major programmes for MTEF FY 2017/18 budget. The department proposes the following programmes: markets infrastructural development, credit to MSMEs, assistance to Cooperatives and promotion of Fair Trading. The prioritized projects for implementation in the FY 2017/18 budget include;- construction of markets, construction of produce collection centres, training on entrepreneurial skills and product development, weights and measures sensitization, credit to traders and establishment of the Kwale County Trade Fair. During the public hearings citizens proposed the following: increased the coverage on market sheds and open air markets, increasing the allocation for credit to traders and sensitization on the revolving fund to traders.

## **V. Community Development, Culture and Talent Management**

The department of Community Development, Culture and Talent Management has prioritized the following programmes: Culture and Talent Management, Community Development Services, Arts and Sports promotion and Youth, Women and PWDs empowerment. Among the prioritized projects include:

Construction of community social halls, annual cultural Competition, ball games competitions, rehabilitation of wards sports fields, support to sports disciplines, civic education and continued implementing of the youth, Women and PWDs enterprise fund.

During the public hearings citizens proposed the following under this department:- Provision of Equipment for PWDs, rehabilitation of social halls to be constructed in a modern theatre style to serve for arts and other cultural competitions , provision of water for all public toilets, provision of mobile library for each ward, increasing the enterprise fund allocation, increasing the social halls construction coverage (One for Ukunda) and establishment of recreation facilities (with games and swimming pool).

## **VI. Infrastructure and Public Works**

The department of Infrastructure and Public works has proposed three main programmes to be implemented in the FY 2017/18 budget. These programmes include:- Rehabilitation and construction of County access Roads, construction of bridges and drifts and construction of street lights and flood lights. The projects that have been proposed to be undertaken will include:

construction of access roads in the wards at an allocation of Kshs. 10 million for each ward, construction of a large bridge connecting river Ramisi, Kubo South, Ndavaya and Kinango, construction of street lights in Shimoni and installation of flood lights for Ramisi, Kinondo and Pongwe-Kikoneni Wards. The citizens proposed the following:- Increasing the number of drifts to at least 5 for each ward, rehabilitation of the Ukunda-Kwale road, usage of quality murram in road rehabilitation and allocating funds for maintenance of street lights.

## **VII. Tourism, Investment and ICT**

The department of Tourism, Investment and ICT proposed the following: (i) baseline studies for exploration of tourist attraction sites (ii) development of tourism information Centres (iii) development of tourism portal (iv) complete the construction of concrete pathways along beach access roads and the development of Majimoto Echo Resort. Under the Investment promotion programme the department proposed the establishment of investment promotion expos.

Under the ICT section, the department proposes the development of County enterprise resources planner ERP, installation of the local area network for Msambweni hospital, Extension of Wide area network, County telephone system extension and the development of data backup and fire suppression system.

During the public hearings the proposals from the citizens include:- tourism civic education for the public, promotion of domestic tourism, increase funding for tourism baseline studies and investment expos, reduce the allocation for development of tourism online portal, and exploration of Mazumalume ecology site.

## **VIII. Lands, Physical Planning and Natural Resources**

The department of lands, physical planning and natural resources prioritized programmes for FY 2017/18 budget include land banking, surveying and digital planning, survey and adjudication of settlement schemes, advisory planning for trading centres, county spatial planning, town planning, environmental management and afforestation. During the public participation fora held, the citizens prioritized the following programmes: increasing the allocation for tree planting, provision of suitable tree seedlings for water catchment areas, increasing the allocation for land banking

(about 100 Million), increasing coverage for surveying to include Mazumalume central, Amukhani in Waa-Ng'ombeni and increasing the coverage for town planning to include Mbuguni town, Makobe town etc.

## **IX. Water Services**

The department of Water Services has prioritized the following programmes to be implemented in the FY 2017/18 Budget. These include: assessment, survey and design of water supply systems, rehabilitation and maintenance of community water projects, rehabilitation and development of borehole water supply systems, development of water pipeline systems and the rehabilitation and development of surface water systems. Among the projects earmarked for implementation in the FY 2017/18 include water pipeline extension, construction of dams and water pans, drilling, development and equipping of 20 new boreholes, counterparts contribution of to Water Services Trust Fund projects, installation of standby generators and water pumps and counterpart contribution to the European Union funding of the Whole sale market project at Kombani.

During the public hearings of 9<sup>th</sup> and 10<sup>th</sup> November in the Sub-counties, the citizens proposed the following: increase water projects allocation to 50 Million, extension of water pipeline – Silaloni in Samburu , Ndavaya health centre, Kibandaongo , Nyango, Mwangani, Ng'onzini, Patanani; increasing the number of boreholes to be drilled, developed and equipped; construction of Mkanda-Mwandeo-Mwambalazi-Lukore Pipeline, construction of water pan at Mkundi, Tsimanya, Magwasheni, and the construction of boreholes in Madibwani (Waa-Ng'ombeni), Ganze-Matuga (Waa-Ng'ombeni), Maphanga, Bumburi Primary etc.

Appendix IV Table 8: Summary of Expenditures by Programmes for the MTEF period FY 2017/18-FY 2019/2020

No.	Programme	Estimated Funding FY2017-FY 2018(Ksh Million)	Estimated Funding FY2018-FY 2019(Ksh Million)	Estimated Funding FY2019-FY 2020(Ksh Million)
<b>Agriculture, Livestock Development and Fisheries</b>				
1.	General Administration, Planning and Support Services	172.6	186.1	195.4
2.	Crop Production and Development	53.0	55.7	58.4
3.	Livestock Promotion and Development	75.0	78.7	82.7
4.	Fisheries Development	15.0	15.7	16.5
	<b>SUB TOTAL</b>	<b>315.6</b>	<b>336.2</b>	<b>353.0</b>
<b>Education, Research and Human Resources Development</b>				
1.	General Administration, Planning and Support Services	256.6	274.0	301.0
2.	Early Childhood Development Education	511.0	432.0	454.0
3.	Youth Training and Development	177.7	130.0	143.0
4.	Scholarship and Bursary	400.0	500.0	500.0
	<b>SUB TOTAL</b>	<b>1,345.3</b>	<b>1,336.0</b>	<b>1,398.0</b>
<b>Medical and Public Health Services</b>				

1.	General Administration, Planning and Support Services	1,037.3	1,243.6	1,305.8
2.	Preventive and Promotive Health Services	327.0	343.4	360.5
3.	Curative and Rehabilitative Health Care	552.0	327.6	344.0
	<b>SUB TOTAL</b>	<b>1,916.3</b>	<b>1,914.6</b>	<b>2,010.3</b>
<b>Trade and Cooperatives Development</b>				
1.	General Administration, Planning and Support Services	56.8	63.4	66.6
2.	Markets Infrastructural Development	73.0	59.3	62.3
3.	Trade Promotion and Expansion	81.0	85.1	89.3
4.	Cooperatives Promotion and Development	11.5	12.2	12.7
	<b>SUB TOTAL</b>	<b>222.3</b>	<b>219.9</b>	<b>230.9</b>
<b>Tourism, Investment and Information Communication Technology</b>				
1.	General Administration, Planning and Support Services	43.9	46.0	48.0
2.	Tourism Promotion and Development	56.0	58.8	61.7
3.	Investment Promotion and Development	10.0	5.2	5.5
4.	ICT Infrastructural Development	38.0	45.2	47.4
	<b>SUB TOTAL</b>	<b>147.9</b>	<b>155.2</b>	<b>163.0</b>
<b>Infrastructure and Public Works</b>				
1.	General Administration, Planning and Support Services	119.1	134.6	141.3



2.	Roads Construction/Rehabilitation	266.3	484.0	486.0
3.	County Electrification Development	100.0	105.0	110.0
4.	County Housing Rehabilitation Development	32.0	34.0	37.0
	<b>SUB TOTAL</b>	<b>518.4</b>	<b>758.0</b>	<b>774.0</b>
<b>Water Services</b>				
1.	General Administration, Planning and Support Services	77.8	86.0	95.0
2.	Development and Management of Water Services	773.5	716.0	720.0
	<b>SUB TOTAL</b>	<b>851.3</b>	<b>802.0</b>	<b>815.0</b>
<b>Lands, Physical Planning and Natural Resources</b>				
1.	General Administration, Planning and Support Services	56.4	59.4	62.4
2.	Land Use Planning and Management	51.0	53.5	56.2
3.	Natural Resources Management	14.0	14.7	15.4
4.	Environmental Protection and Management	2.0	2.1	2.2
	<b>SUB TOTAL</b>	<b>123.4</b>	<b>129.8</b>	<b>136.3</b>
<b>Community Development, Culture and Talent Management</b>				
1.	General Administration, Planning and Support Services	91.5	101.0	111.0
1.	Community Development and Social Services	160.7	60.9	63.9
2.	Arts, Sports and Talent Development	87.0	91.3	95.9

3.	Culture and Heritage Promotion and Development	36.5	27.3	28.7
	<b>SUB TOTAL</b>	<b>375.7</b>	<b>280.5</b>	<b>299.5</b>
<b>Finance and Economic Planning</b>				
1.	General Administration, Planning and Support Services	306.0	332.0	349.0
2.	Economic and Financial Policy Formulation and Management	38.4	42.0	44.0
3.	Revenue Mobilization and Management	87.4	108.0	109.0
4.	Public Finance Management	19.3	21.0	23.0
	<b>SUB TOTAL</b>	<b>451.1</b>	<b>503.0</b>	<b>525.0</b>
<b>Public Service and Administration</b>				
1.	General Administration, Planning and Support Services	349.0	275.2	288.9
2.	Administrative Units Infrastructural Development	24.0	25.2	26.6
3.	Public Administration Development Services	19.0	20.0	20.9
	<b>SUB TOTAL</b>	<b>392.0</b>	<b>320.4</b>	<b>336.4</b>
<b>County Executive Services</b>				
1.	General Administration, Planning and Support Services	126.9	127.5	133.8
2.	County Executive Infrastructural Development	75.4	78.7	82.7
	<b>SUB TOTAL</b>	<b>202.3</b>	<b>206.2</b>	<b>216.5</b>
<b>County Public Service Board</b>				
1.	General Administration, Planning and Support Services	45.6	45.0	45.0
	<b>SUB TOTAL</b>	<b>45.6</b>	<b>45.0</b>	<b>45.0</b>
<b>County Assembly</b>				
1.	General Administration, Planning and Support Services	491.8	545.1	572.3

2.	County Assembly Infrastructural Development	115.0	120.8	126.8
	<b>SUB TOTAL</b>	<b>606.8</b>	<b>665.9</b>	<b>699.1</b>
<b>CONDITIONAL GRANTS</b>				
	<b>USER FEES FORGONE</b>	<b>15.2</b>	<b>0.00</b>	<b>0.00</b>
	<b>LOANS AND GRANTS</b>	<b>71.2</b>	<b>0.00</b>	<b>0.00</b>
	<b>LEASING OF MEDICAL EQUIPMENT</b>	<b>95.7</b>	<b>0.00</b>	<b>0.00</b>
	<b>ROAD MAINTENANCE LEVY FUND</b>	<b>190.6</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL FUNDING</b>		<b>7,886.0</b>	<b>7,673.0</b>	<b>8,002.0</b>

**Appendix V Table 9: MTEF FY 2017/2018 Budget Ceilings by Economic Classification**

DEPARTMENT	RECURRENT EXPENDITURE			DEVELOPMENT	TOTAL BUDGET
	P.E CFSP 2017	O & M CFSP	SUB TOTAL	SUB TOTAL	TOTAL
EXECUTIVE	67,921,932.62	58,973,402.82	126,895,335.44	75,376,631.00	202,271,966.44
PUBLIC SERVICE & ADMIN.	149,594,060.97	199,788,578.05	349,382,639.02	42,600,000.00	391,982,639.02
FINANCE	228,955,320.00	162,157,820.23	391,113,140.23	60,000,000.00	451,113,140.23
AGRICULTURE	129,926,167.09	42,672,810.21	172,598,977.30	143,000,000.00	315,598,977.30
EDUCATION	212,475,584.29	47,123,189.73	256,598,774.03	1,088,700,000.00	1,345,298,774.03
HEALTH	899,245,875.15	138,104,975.37	1,037,350,850.52	878,994,231.00	1,916,345,081.52
TRADE	25,745,045.72	31,029,829.72	56,774,875.44	165,500,000.00	222,274,875.44
COMMUNITY DEVP.	34,245,340.97	57,250,459.57	91,495,800.55	284,225,319.00	375,721,119.55
INFRASTRUCTURE	60,367,817.81	58,733,924.99	119,101,742.80	399,300,000.00	518,401,742.80
TOURISM	19,177,715.72	24,766,676.98	43,944,392.70	104,000,000.00	147,944,392.70
LANDS	23,658,033.00	32,791,948.26	56,449,981.26	67,000,000.00	123,449,981.26
WATER	27,845,198.70	49,934,740.03	77,779,938.73	773,500,000.00	851,279,938.73
COUNTY PUBLIC SERVICE BOARD	24,459,887.98	21,148,469.00	45,608,356.98	0	45,608,356.98
COUNTY ASSEMBLY	237,354,948.01	254,449,137.99	491,804,086.00	115,000,000.00	606,804,086.00
<b>GRAND TOTAL</b>	<b>2,140,972,928.04</b>	<b>1,178,925,962.95</b>	<b>3,316,898,891.00</b>	<b>4,197,196,181.00</b>	<b>7,514,095,072.00</b>
<b>TOTALS</b>	<b>2,140,972,928.04</b>	<b>1,189,584,899.96</b>	<b>3,332,108,484.00</b>	<b>4,554,728,309.00</b>	<b>7,886,806,793.00</b>
<b>% ALLOCATIONS</b>	<b>27.20%</b>	<b>15.10%</b>	<b>42.20%</b>	<b>57.80%</b>	<b>100.00%</b>

