



COUNTY GOVERNMENT OF KWALECOUNTY TREASURY

MEDIUM TERM 2025 COUNTY FISCAL STRATEGY PAPER

**CONSOLIDATING GAINS UNDER THE COUNTY SOCIO-
ECONOMIC TRANSFORMATION AGENDA FOR INCLUSIVE
GROWTH**

15TH FEBRUARY 2025

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2025 Draft County Fiscal Strategy Paper

FOREWORD

This 2025 County Fiscal Strategy Paper(CFSP),which is the third to prepared under the new Achari-Chirema administration, consolidates the progress and gains achieved in the last two years in the implementation of priority programmes and projects articulated in the county socio – economic transformation agenda anchored on the third County Integrated Development Plan (CIDP III) 2023-2027.The five year term plan is linked to the National Government’s Bottom – Up Economic Transformation Agenda(BETA) which is being implemented by the Fourth Medium Term Plan (MTP IV) of the Vision 2030.Consistent with the initiatives of BETA, the County Government of Kwale has given special focus on: improving the citizens’ well-being through continued investment in health; agricultural transformation; youth and women empowerment; infrastructural development (roads and water); and education.

The 2025 CFSP has been prepared against a backdrop of stable global and domestic economic outlook. Global economic growth is projected at 3.2 percent in 2024 and 3.3 percent in 2025 from 3.3 percent in 2023. The outlook reflects economic recovery in China, Euro area and UK, despite a slowdown in activity in the USA and Japan. The Kenya economy has remained resilient despite the challenging domestic and external environment. The National Government implemented structural reforms and interventions under the BETA which have stabilized the economy and supported economic recovery from the growth of 4.9 percent in 2022 to 5.6 percent in 2023. However due to the decline in economic activities and slowdown in private sector credit in the first three quarters of 2024, economic growth dropped to 4.6 percent in 2024.Going forward, economic growth is expected to pick up to 5.3 percent in 2025 and it will be retained over the medium term courtesy of the ongoing implementation of the BETA priorities, increased agricultural productivity and resilience in the services sector.

The County Government fiscal policy for the financial year (FY) 2025/2026 and over the medium term will prioritize expenditure rationalization and increased revenue mobilization efforts. To strengthen expenditure control, the County Government will: rationalize and curtail non-essential expenditures; strengthen the procurement system and increase transparency and fast track the transitioning from cash basis to accrual basis of accounting to improve on cash management. On revenue mobilization, expansion of the local tax base will be undertaken through initiating more reliable revenue sources and leveraging on the revenue management system to increase efficiency and seal loopholes.

The County fiscal performance in the FY 2023/2024 was satisfactory despite the challenges associated with constrained cash flows and delays in disbursements. The mid financial year (Quarter 2 FY 2024/2025) budget implementation results reveals a promising fiscal performance for the FY 2024/2025.As at 31st December 2024(end of Quarter 2 of FY 2024/2025) the County had absorbed 28.9 percent (Ksh 4,352,130,687) of the revised budget of Ksh 15,039,218,850.In the first half of the 2024/2025 financial year, the County Government collected Ksh. **164,041,978**, which is **46.9%** of the annual target of Ksh. **350,000,000**.

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In the FY 2025/2026, the County Government anticipates revenue amounting to **Ksh 9,709,768,508**. This will come from equitable share of revenue from the National Government of **Ksh 8,989,768,508** and revenues raised locally amounting to **Ksh 720,000,000**. The total revenues of Ksh 9,709,768,508 will be allocated as follows: recurrent expenditure (**Ksh 6,699,334,853**) translating to about **69 percent** of the total expected resources and development expenditure (Ksh 3,010,433,655) which about **31 percent**.

In the preparation of this draft 2025 CFSP, we consulted widely among various stakeholders who gave their inputs. We are grateful for their inputs. Analysis of these puts informed the preparation of the sector ceilings given in this 2025 CFSP. The sector will form the basis for allocation of resources in the FY 2025/2026 budget.

We are operating under a fiscal constrained environment, prioritization during resource allocation will be critical to ensure high priority service delivery programmes are adequately funded. Special attention will be given to those ongoing projects which have high impact on the well-being of the citizens as highlighted in the county socio-economic transformation agenda. Departments and agencies of the county are requested to eliminate wasteful expenditures and pursue the priorities articulated in the Governor's vision and manifesto and also in the third generation of the County Integrated Development Plan 2023-2027.



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ACKNOWLEDGEMENT

This 2025 County Fiscal Strategy Paper is prepared to compliance with the provisions of the Public Finance Management Act 2012. It articulates the strategic priorities of the County Government of Kwale to be implemented in the FY2025/26, highlights the current state of the economy and the macroeconomic outlook over the medium term, outlines the county fiscal performance up to mid-year of FY2024/2025, provides the projections of expected revenues and expenditures together with a summary of the county spending plans and sector ceilings as the basis for the FY2025/2026 budget. The publication of the 2025 CFSP aims to improve the public's understanding of the County Government of Kwale's public finances and guide public deliberations on county economic and development matters.

The County Government of Kwale is keen on fostering prudent management of public resources in order to support the county socio-economic transformation agenda. Budget implementation up to the second quarter of FY 2024/2025 was impeded by: delays in disbursement of funds from the National Government due to revenue shortfalls. Late disbursement of funds continue to affect timely implementation of the FY 2024/2025 budget leading to cash flow challenges and associated increase in the pending bills.

The approval of the County Allocation of Revenue Act 2024 will further affect the implementation of the FY 2024/2025 budget as the equitable share of revenue has been revised downwards from Ksh 8,887,499,175 to Ksh 8,625,411,603 implying a loss of Ksh 262,087,572. Going forward budget cuts and expenditure will be imminent to ensure seamless implementation of the budget.

The preparation of this 2025 CFSP was a collaborative effort by the county departments and agencies of the County Government of Kwale. The county departments and agencies provided valuable information and inputs which formed a bigger portion of this paper. A dedicated team at the County Treasury's division of Budget and Economic Planning spent substantial amount of time putting together the contents of this 2025 CFSP. We are indebted to them for tireless efforts and dedication.

ALEX ONDUKO THOMAS,
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ABBREVIATIONS AND ACRONYMS

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

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

About The County Fiscal Strategy Paper

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

The County Assembly shall in not more than 14 days after the CFSP is submitted, table and discuss a report containing its recommendations and pass a resolution to adopt it with or without amendments. The County Executive Committee Member for Finance shall take into account resolutions passed by the County Assembly in finalizing the Budget for the coming financial year.

The County Fiscal Strategy Paper contains:

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

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

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CHAPTER ONE: INTRODUCTION**1.1 Overview**

1. Kwale County is one of the six counties in the coastal region under the Jumuiya ya Kaunti za Pwani (JKP) economic bloc. The population census of 2019 indicates that the county has an estimated population of 866,820 of which 49.0 per cent is male and 50.9 per cent female (KNBS 2019). The County has a population density of 105 per km². About 85.4 per cent of the population lives in rural areas of whom 57.0 per cent are female. The youth constituted 33.0 per cent of the population of whom 53.0 per cent were female. The elderly population (over 65year-old) makes up 3.8 per cent of the total population of whom 53.7 per cent were female. The population in school going age group (4-22 years) was 49.3 per cent in 2019. Of the population 112,152(1.7 per cent) are persons with disability.

2. The 2025 County Fiscal Strategy Paper (CFSP) is prepared in compliance with the provisions of section 117 of the Public Management Act, 2012. The 2024 CFSP sets out the broad strategic priorities and policy goals that will guide the county government in preparing the budget for the financial year (FY) 2025/2026 and over the medium term. This document is expected to improve the public's understanding of County Government's fiscal matters as well as strategic priorities to improve the well-being of Kwale people.

3. This 2025 CFSP contains: (a) Strategies towards enhancing the county socio-economic transformation agenda; (b) an assessment of the current state of the Kenyan economy which has a bearing on the county economy; (c) the financial outlook with respect to county government revenues and expenditures for the next financial year and over the medium term; (d) the FY 2025/2026 budget showing the details of priorities and sector expenditure ceilings (e) the fiscal responsibility principles and financial objectives over the medium term. The 2025 County Fiscal Strategy Paper is aligned to the National strategic objectives contained in the 2025 Budget Policy Statement (BPS) and the Bottom –Up Economic Transformation Agenda which is being implemented by the Fourth Medium Term Plan (MTP IV) of Vision 2030.

4. This 2025 CFSP seeks to implement the strategic priorities and programmes articulated in the FY 2025/2026 County Annual Development Plan (CADP). The CADP FY 2025/2026 is linked to the strategic objectives of the County Integrated Development Plan (CIDP) 2023-2027 and the County Sectoral Plans (CSP) 2023-2032. This 2025 CFSP will form a basis for budget allocations for the financial year (FY) 2025/2026 and the medium term. The order of

funding for priorities in this CFSP is in line with the Governor's vision and manifesto and the CIDP.

1.2 2024 CFSP Preparation Methodology

5. Article 201 emphasizes as one of the principles of public finance: openness and accountability including public participation in financial matters. In pursuit of this provision, the County Treasury will hold public participation fora at the ward level ensuring representation from each village unit to collect views and contributions on the draft 2025 CFSP. Further, in adherence to section 117 (5), the County Treasury shall seek and take into account the views of: the Commission on Revenue Allocation (CRA), the Public, any interested persons or groups and any other forum that is established by legislation.

6. This 2025 CFSP is organized as follows: Chapter I introduces the paper; Chapter II provides the Policies and Strategies for sustaining the County Socio-Economic Transformation; Chapter III gives an assessment of the current state of the Kenyan economy which has a bearing on the county economy and a review of the fiscal performance as at 31st December 2024 and its implications on the financial objectives given in this 2025 CFSP and the PFMA fiscal responsibility principles. The Budget framework for FY 2025/2026 and medium term, fiscal projections and sector ceilings are given in chapter IV and chapter V concludes the paper.

**CHAPTER TWO: STRATEGIES AND POLICIES FOR COUNTY-
ECONOMIC TRANSFORMATION****2.1 Overview**

7. The 2025 County Fiscal Strategy Paper (CFSP), which is the third to be prepared under the Governor Achani Administration, highlights the progress made in the implementation of the strategic aspirations as articulated in the third generation County Integrated Development Plan (CIDP) 2023 – 2027, and further aligned to the Bottom – Up Economic Transformation Agenda (BETA) and the Fourth Medium Term Plan (MTP) of the Kenya Vision 2030. This strategy paper reaffirms the Governor’s commitment towards implementing the strategic objectives and aspirations of the people of Kwale as articulated in the current CIDP 2023 – 2027 which aims at enhancing the county's socio-economic transformation.

8. Despite the challenging domestic and external environment, the county has recorded significant progress following the various interventions that have been implemented over the past two years. As a result, the County’s contribution to the national Gross Domestic Product (GDP) stood at 1.2 percent supporting efforts towards Kenya’s economic recovery. Kenya’s growth is estimated to have slowed down to 4.6 percent in 2024 from a growth of 5.6 percent in 2023. Growth is expected to pick up to 5.3 percent in 2025 and retain momentum over the medium term on account of enhanced agricultural productivity; a resilient services sector; supported by the implementation of the strategies and programmes outlined in the approved county development plans.

9. The Kenya Kwanza administration has taken bold steps to implement policies and reforms whose ultimate goal was to reduce the cost of living and improve livelihoods. These strategic interventions have yielded impressive macroeconomic results under the Bottom Up Economic Transformation Agenda (BETA). In particular;

- i) The decline in inflation from a peak of 9.6 percent in October 2022 to 3.0 percent in December 2024 signifying the effectiveness of the Government’s monetary policy and exchange rate interventions;
- ii) Significant stabilization of the Kenya Shilling that has appreciated from an average of Kshs 159.7 to the US dollar in January 2024 to Kshs 129.4 in December 2024, an appreciation of 19 percent. This recovery has significantly restored confidence in financial markets and improving the citizens purchasing power;

- iii) Improved investor confidence due to growth in the foreign exchange rate from US dollar 9.6 billion in November 2024 from US dollar 7.4 billion in November 2023, providing 4.9 months of import cover. This is important as it enhances the country's resilience against external shocks;
- iv) Improved access to credit by investors due to the decline in interbank rate to 11.4 percent in December 2024 from 11.7 percent in December 2023 in line with the easing of the monetary policy. This reduces the cost of borrowing by businesses and entrepreneurs;
- v) Growth in tax revenue by 11.5 percent in the year to June 2024, reflecting the success of the Government's tax base expansion measures.

10. The County Government of Kwale in the implementation of its priority programmes and projects has contributed immensely to the BETA priorities towards socio-economic transformation for inclusive growth and shared prosperity through the following priority thematic areas: (i) universal health coverage (ii) access to clean and safe water (iii) connectivity and opening up areas for development (iv) food security and inclusive growth and (v) human capital development, sports, arts and culture. These pro-poor interventions are intended to benefit the majority rural populations and further enhance their socio-economic wellbeing.

11. Specifically, the county has recorded several achievements under each pillar of the BETA. Key achievements include:-

- i) To improve access to healthcare services, the County Government intensified the provision of primary healthcare services, maternal and child health, health diagnostics services, the emergency and referral services, enhancing the reduction of incidences of communicable diseases and non-communicable diseases and emerging lifestyle diseases like HIV/Aids, cancer, diabetes, hypertension, blood pressure among others. Further, to support universal healthcare services, the county stepped up efforts in collaboration with the National Government to sensitize and create awareness on the mass registration of citizens into the new Social Health Insurance Fund (SHIF) to enhance uptake of health insurance and reduce the disease burden as health services become more affordable and accessible.
- ii) On enhancing food security and reducing the cost of living, the County Government continued to support the farmers across the county through the provision of certified

seeds, livestock disease surveillance and treatment, and enhancing extension services. Further, to boost productivity in the agricultural sub-sector, the county leveraged on use of digital platforms for farmers and encouraged the adoption of modern farming technologies under the Agricultural Mechanization Services (AMS) unit.

- iii) Provision of clean and safe water is another priority of the County Government. Adequate water for households, animal use, industrial usage and irrigation guarantee increased human productivity, and improved crop and livestock development. The availability of water for irrigation has improved productivity and ensured food security for the county residents and beyond. This has contributed to stabilized food prices and reduced cost of living. Further, irrigation has facilitated commercial farming thereby contributing to better rural incomes and poverty reduction among the majority rural population.
- iv) Under road connectivity, deliberate efforts have been undertaken to open up rural areas and improve on connectivity and access to markets. Improved accessibility has improved the profitability of businesses by reducing after harvest losses through enhanced movement of people and products, and growth of towns, trading centres, and markets. Construction and upgrading of key roads to bitumen standard has improved the business environment resulting to increased investors and further creation of job opportunities to our youths.
- v) To enhance human capital development, the County Government has accelerated the implementation of the “*Elimu ni Sasa*” initiative in the education sector. The increased allocation to the fund from Kshs 400 Million to Kshs 500 Million has seen more beneficiaries accessing education and training across the county. Investment in Vocational Training Centres (VTCs) is one of the important intervention carried out by the county to boost the human capital, which is a necessary ingredient for economic transformation.

12. Over the medium term, the County Government will consolidate the gains that have been recorded under the county socio-economic transformation agenda for inclusive green growth focusing on the implementation of the strategic objectives contained in the approved County Annual Development Plan (C – ADP) 2025/2026 and the CIDP 2023 – 2027. Priority interventions will entail: i) accelerating investment on universal healthcare; ii) enhancing agricultural productivity and food security; iii) investing in climate – smart road infrastructure;

iv) improving access to clean and safe for consumption and production purposes; v) capital development; vi) investing in youth, women and people living with disabilities; and vii) improving governance in service delivery.

13. To realize these milestones, the county will work to enhance governance, transparency and accountability while promoting prudent use of our resources. The county government will strive to collaborate with the National Government MDAs to reduce opportunities for corruption, conflict of interest and abuse of office through digitization of procurement with the aim of making it open and transparent. Alongside this, automation of processes will be fast tracked to guarantee use of ICT to reduce human interaction and inefficiencies.

2.2 Core Pillars of the County Socio-Economic Transformation Agenda

2.2.1 Health

14. The Constitution of Kenya 2010 guarantees the right to the highest standards of health for all Kenyans. To this end, the County Government has identified health services as a key priority towards the county socio-economic transformation agenda. The county will continue to invest in critical health interventions to realize the county's vision on health in collaboration with sector stakeholders and development partners.

15. The goal of the health sector at the county level is to improve the quality of life of Kwale citizens through the provision of affordable, equitable and sustainable healthcare services. This will be achieved through providing affordable, accessible, and high-quality healthcare services that are responsive to the needs of the people of Kwale. The strategic interventions to achieve this objective include: (i) investing in health infrastructure including expansion, equipping and adequate staffing of the facilities; (ii) implementation of the community health strategy by recruiting more Community Health Promoters (CHPs) to improve on primary health care; (iii) provision of medical equipment, specialized services and diagnostic systems to cure chronic and terminal diseases; (iv) optimizing the supply of medicines, non-pharmaceuticals and laboratory reagents through the development of an inventory drugs system and construction of convenient drugs stores; (v) integration of ICT to enhance health management information system to achieve efficiency and transparency in the provision of health care services and (vi) implementing the Facility Improvement Fund Act to enhance funding for operations in the health facilities.

16. The County Government investment in the Health sector over the last two years has had significant progress and achievements. Notable achievements made include:

- i) Increased number of functional health facilities across the county. 13 dispensaries were constructed and operationalized. This has been realized through equipping and staffing thereby reducing the average distance to the nearest health facility;
- ii) Significant progress in health outcomes such as increased deliveries by skilled health workers from 67 percent in 2018 to 89 percent in 2022; antenatal care services (at least 4 visits) increased to 98 percent in 2022 up from 79 percent in 2022 thus surpassing the national average of 66 percent.
- iii) The County Government has also recruited 66 new health workers out of which 37 are nurses and 23 specialized health workers including consultants. This is a huge increment in the number of specialized health workers who were less than 10 in 2018;
- iv) Enhanced community health strategy by registering more community health promoters totalling 1632 in collaboration with the National Government;
- v) The Health department acquired medical equipment including ultrasound machines, anaesthetic and autoclave machines, X-rays, dialysis and diathermy machines for the hospitals and health centres.

17. The County Government is implementing the Facility Improvement Fund Act (FIFA) which was customized to suit the county's situation. Facility Improvement Funding is implemented in the main five hospitals, the health centres and a few dispensaries. In the FY 2024/2025 budget, the County is targeting to raise Ksh 300 Million. The FIF is geared towards ensuring health facilities are equipped with the necessary resources to provide quality care.

18. The National Government enacted the Social Health Insurance Act 2023. This Act replaced the National Health Insurance Fund (NHIF) and established the Social Health Authority (SHA) which will administer three essential primary health care funds in a way that ensures every Kenyan can access quality healthcare services. The transition from NHIF to SHIF will empower citizens to contribute towards accessing broad range of health care benefits. When SHIF becomes fully operational, Kenya will have a health care system that guarantees dignity, peace of mind and equitable access for every citizen. The County Government of Kwale has intensified campaign for SHIF registration across all wards and village units within the county. As at end of January 2025, the County had registered 193,583 citizens which is about 22.3% of the targeted population.

19. The National Government enacted the Digital Health Act 2023. Under the Act, the National Government intends to enhance efficiency and transparency in the provision of healthcare

services. Going forward, the County Government of Kwale will develop an information management system which will automate all health records and integrate all the healthcare delivery processes from registration of patients, drugs prescription to referrals.

20. Under the strategic interventions of ensuring optimal and regular supply of medicines and other non-pharmaceutical products, the County Government of Kwale over the medium term will construct more drug stores to enable efficient and effective distribution. In addition, the County Government will develop a policy to effectively manage the supply of drugs and also automate the inventory control. The County Government will position itself to take advantage of the National Government's reforms in developing biomedical, pharmaceutical and medical supplies production industries. There are plans by the National Government to set up Kenya Medical Supplies Agency (KEMSA) regional distribution centres in Kisumu, Embakasi and Mombasa. This will enhance the speed of delivery of medical supplies as well as the security and safety of medicines

2.2.2 Agricultural Transformation for Inclusive Growth

21. Agricultural transformation is among the core pillars of the county socio-economic transformation agenda. The mission of the County Government in Agriculture is to promote a competitive and innovative commercially oriented modern agriculture to achieve food security and inclusive growth. More than two thirds of the population in Kwale derive their livelihoods directly or indirectly from agriculture. Agriculture plays a critical role in job creation, generation of incomes and poverty reduction. The sector has a multiplier effect in terms of job creation in other sector sectors due to the existence of economically viable value chains.

22. The National Government is focusing on Agriculture to realize the Bottom –Up Economic Transformation Agenda's aspiration for inclusive green growth. Due to its important role of providing livelihoods for majority of Kenya's population, the National Government has implemented interventions to transform the sector. These interventions include boosting investment of key value chains to raise their productivity. The key value chains in Agriculture include: fisheries and aquaculture, horticulture, rice, edible oils, livestock, beekeeping and rangeland development. The County Government of Kwale through the National Agricultural Value Chain Development Project (NAVCDP) has identified five value chains namely: cashewnuts, mangoes, tomatoes, beekeeping and local poultry. The programme has registered about 500 farmers common interest groups which will help to access markets, training and credit to improve overall agricultural productivity.

23. The vision of the Agricultural sector at the county government is to be a learning agency towards achievement of food security and income generation in the region. The strategic interventions that are articulated in the County Integrated Development Plan 2023-2027 to achieve this dream include: (i) upscaling of micro-irrigation schemes to provide water for crop production to reduce the overdependence on rain fed agriculture and livestock rearing; (ii) supporting small scale holder farmers through the provision of certified seeds and crop seedlings, fertilizers and other inputs, farm mechanization and handling post-harvest losses; (iii) promotion of value addition and market access through establishment of value chains in crops, livestock and fisheries products ;(iv) improving livestock productivity through the provision of elite breeding stock, artificial insemination, disease control, provision of feeds/pasture and fodder conservation and diversification of products to include bee keeping and local poultry; and (v) increased extension services, capacity building and training of farmers .

24. Under the crop production sub sector, the Agriculture sector intensified its efforts in upscaling of micro irrigation. About 157 acres of land were irrigated over the last two years. The County Government has developed four medium sized dams in Kizingo (Mackinon road ward), Mwaluvuno, Bekadzo and Mwakalanga in Mwereni ward. These dams provide water for the irrigation schemes. The County has also implemented other interventions to transform the poor small holder farmers from being food deficit to surplus producers. These include: (i) provision of 10,500 assorted seedlings to farmers in Matuga, Msambweni and Lungalunga sub counties; (ii) distribution of over 500 bags of fertilizers under the Fertilizer Subsidy Programme; (iii) supporting value addition for fruits for farmers in Ukunda and Waa-Ng'ombeni wards and (iv) provision of farm mechanization and training to over 10,000 farmers. In a bid to increase earnings from cash crops, the County Government partnered with the Base Titanium to improve cotton farming and with MESIT to upgrade the coconut breed to increase productivity.

25. Increased Livestock production is another strategic objective of the Agricultural sector in the county. Under the livestock sub sector, the County Government has implemented the breed improvement programme to upgrade both beef and dairy breeds. In the last two years, the County Government through the department of Agriculture, Livestock and Fisheries has distributed 1,057 Galla goats, carried out livestock vaccination and rehabilitation cattle dips to control livestock diseases. The sector will also benefit from the National Government interventions which include: implementation of a country's breed improvement programme; the National Vaccination programme to eradicate pests and diseases and control the Foot and

Mouth disease and the development of several policy and legal reforms. Veterinary Policy, Livestock Policy, Livestock Bill, Livestock Master Plan, Food Safety Policy and the Food Safety coordination.

26. Fisheries development and aquaculture and to a larger extent the Blue Economy are also focus areas of the County Government of Kwale as they have huge potential to create jobs, generate income and reduce poverty. The county government through the department of Agriculture, Livestock and Fisheries is participating in the Kenya Marine Fisheries and Social Economic Development (KEMFSED) project. This project is implemented by the Government of Kenya through the state department for Blue Economy and Fisheries with the support from the World Bank. Under the KEMFSED community projects Kshs 98.8 Million was awarded to the first batch of the fisherfolk of 43 groups. The County Government has acquired a fleet of 12 boats in the last two years bringing the total of boats to 52. This was added support from the provision of assorted fishing gears and support to sea weed farmers with over 150 seeds varieties.

27. Going forward the Agricultural sector will consolidate the gains made by aligning all the policies and legislative reforms towards increasing food production, boosting farmers' productivity, and raising the productivity of key value chains. The County Government will mobilize the farmers to form cooperative and Sacco societies to access affordable credit, agricultural extension services and increase market access. The County Government will strengthen collaboration and partnership with key stakeholders in the sector to enhance agricultural productivity.

2.2.3 Infrastructure Development for rapid socio –economic transformation

28. Infrastructural development remains a key pillar of the county socio economic transformation agenda. Infrastructural development stimulate business growth, attract private investment and enhance the long term economic prosperity and poverty reduction. Provision of public effective utilities and essential services is crucial in promoting socio economic transformation. The County Government has invested heavily in construction of water pipelines, drilling and equipping of boreholes, construction of medium sized dams and water pans and associated irrigation infrastructure. Expansion of the road network has been undertaken to foster an enabling environment for movement of goods and people thus stimulating trade, economic growth and general inclusive prosperity. Provision of renewable energy and electricity under the public lighting strategy encourages the 24 hour economy.

2.2.3.1 Water Services

29. Efficient and effective provision of water services is a key focus of the County Government of Kwale. Provision of clean and safe water is a basic human right as enshrined in the Kenya Constitution 2010. Safe water is essential for domestic, irrigation and industrial use. According to the Water Act 2016, water related functions are to be a shared responsibility between the 47 County and National governments. The Kenya Population and Housing 2022 (KPHS 2022), revealed that about 55 percent of the Kwale County population have access to clean and safe water.

30. In recognition of this, the Kwale County Government has prioritized the provision of clean and safety as one of its core pillars of the county socio-economic transformation agenda. In this respect, the County Government has implemented various interventions to increase the access to clean and safe water in the county. Significant progress has been made over the last two years. These include the drilling and equipping of about 40 boreholes, the construction of 4 medium sized dams and 13 water pans .In addition about 560 kilometres of water pipelines extension have been constructed over the last two years.

31. In Kwale County , climate change manifested in extreme dry weather conditions and depletion of water resources is a key challenge .The other challenges emanate from land degradation and destruction of water catchment areas, human-wildlife conflict in water resources usage, vandalism and the destruction of water infrastructure and weak collaboration among key stakeholders in the sector. Due to these challenges water still remains scarce compared to the county's demand. The County Government has implemented viable strategies to increase the sources of water to guarantee reliable supply of clean and safe water to the citizens.

32. As part of its efforts to increase the access to water by enhancing service delivery in the sector, the County government will continue to foster partnership and collaboration with various stakeholders including the National Government, the Development partners and donor community, Water Resources Users Associations, Water Services Providers and the community at large. The World Bank is channelling funds in form of a grant under the Water and Sanitation Development Project to the tune of Kshs 1 billion to the county to increase the access to water. The World Bank is also supporting development of water infrastructure in the

urban areas including municipalities through the Kenya Urban Support Program. This has led to among other things improved water supply in the Municipalities.

33. To improve on water services management and combat destruction of water resources and infrastructure, the County Government developed the Kwale County Water and Sanitation Services Act of 2020. Continued sensitization of communities and water users' resident associations will guarantee effective and sustainable management of water resources. The County Government will support and closely monitor the operations of the water services agency -the Kwale Water and Sewerage Company to ensure there is efficiency in water services delivery to the residents.

2.2.3.2 Roads and Public Works

34. Roads and associated infrastructure play a vital role in the realization of rapid socio economic transformation. Roads enhance connectivity as well as cross border trade and regional integration. The opening and construction of rural access and feeder roads is paramount for the rural growth and also to enable farmers transport agricultural produce to the market much faster and cheaply. Roads also encourage the growth of towns and urban areas and as population migrates to these areas to search for economic opportunities and livelihoods expansion of the road network becomes necessary. Roads improvement to bitumen standard and being climate proof enhances the county competitiveness and attract more investors.

35. The National Government has invested heavily in the construction of classes A, B and C roads including National trunk roads and Highways. The National trunk roads in the county account for about 1,047 kilometres of roads. The National Government roads include those handled by the Kenya National Highways (KENHA). These include: the 79 Kilometres Samburu-Kinango-Kwale road which is on-going with the Kinango-Kwale 50 kilometres portion remaining; and the Vanga-Shimoni road which will improve connectivity between the ports of Vanga and Shimoni. The Vanga and Shimoni towns have a huge potential for the growth of the Blue Economy.

36. The other roads under management of KENHA include the Kanana to Shimoni road, the Lungalunga to Vanga road, TM to Mwangulu and the Milalani to Shimba Hills roads. In addition there is recent roads development connecting the Mombasa Mainland west and the South Coast in Kwale County via Mombasa mainland south. This is the Dongo Kundu Bypass which will provide an alternative route to the busy and overcrowded Likoni crossing channel that has affected the growth of the south coast region and the tourism sector. The Bypass is

partially opened but once it is fully operational, it will be a game changer. It will enhance security and improve cross border trade between Kenya and Tanzania.

37. Cognisant of the critical role the road infrastructure plays in the county socio economic transformation agenda, the County Government has made deliberate efforts and scaled up the investment in roads construction including upgrading roads to bitumen standard of key circuit roads. The County Government has started tarmacking of roads and significant progress has been made over the last two years. Some of the key achievements realized in this sector; (i) the upgrading to bitumen standard the Mvindeni to Lotfa road about 2.8 kilometers which offers an alternative access to the Diani Beach instead of the Kona Ya Beach road which is often congested with the traffic menace; (ii) Upgrading to bitumen standard of the Vinuni – Tiwi Sokoni road (0.6Km), Mkilo – Kalalani road (0.6Km) and the Tsimba – Lunguma road (0.5Km);

38. Going forward, the County Government will scale up investment in the tarmacking and cabro paving of roads in the trading and urban centres, upgrading, murraming and gravelling of feeder and access roads in the rural areas and the construction of bridges, culverts and drifts. The County Government will also fast-track the speed of completion of new and stalled road construction projects. In the financial year 2025/2026 and the medium term will continue with the upgrading to bitumen standard of the following roads: (i) Mkilo-Kalalani-Mavirivirini road (6.5 kilometres); (ii) Vinuni- Magodzoni-Tiwi Sokoni road (6.5 kilometres); (iii) Mangwei to Majoreni road about 7 kilometres; and (iv) Tsimba-Vyongwani-Lunguma road (about 6 kilometres) to connect to the Mombasa Southern Bypass (Dongo Kundu Bypass) at Mteza. Other roads which will be given priority include the tarmacking of Blue Jay to Assins connecting the Diani beach road in Diani Municipality; and the National Cereals and Produce Board (NCPB)-Godoni-Chitsanze road in Kwale town under the Kwale Municipality.

39. The Roads and Public Works sector has been faced with a myriad of challenges. The challenges include: encroachment of road reserves and government land; delayed work performance due to contractors capacity challenges; destruction of streetlights/floodlights and associated infrastructure through vandalism; climate change and adverse weather conditions destroying roads and drainage structures; and limited personnel to undertake work supervision and handle compliance matters. To promote sustainable infrastructure development over the medium term, the County Government will recruit the optimal number of personnel to handle

work supervision and compliance; foster partnership and collaboration with key players in the sector; sensitize and capacity build the community in matters compliance to the regulations.

2.2.3.3 Energy and Power Generation

40. The National Government's Bottom Up Economic Transformation Agenda envisions the access to clean, sustainable and affordable energy as a key enabler for inclusive green growth. To expand the access to electricity, the National Government has over the last two years installed an additional 240 MW of electricity to the National Grid thus increasing total installed capacity by 5.4 percent from 3.076MW in 2022 to 3,243 MW in October 2024. In addition the National Government has installed 1,266.7 kilometres of medium voltage distribution lines and constructed 30 distribution substations. To enhance security and promote a 24 hour economy, the National Government has installed 54,544 streetlights. These strategic interventions by the National Government have increased the total number of customers connected to electricity from 8,919,584 in 2022 to 9,693,954 in October 2024.

41. The County Government is focusing on efficient and effective public lighting in the fast growing urban and peri urban areas to enhance security and stimulate the growth of a 24 hour economy. To reduce the costs of installing electric streetlights and floodlights, the County Government has explored the use of solar power. About 105 streetlight schemes have been installed in the last two years which have ignited trade and economic activities in the urban areas and trading centres.

2.2.4 Education and Training

42. Education and training is among the key pillars of the County socio-economic transformation agenda and has been given priority over the years. Education and training is also a key enabler of the Kenya Kwanza's Bottom-Up Economic Transformation Agenda. It is for this reason that the National Government has continued to heavily invest in education to enable learners acquire the necessary skills and competencies for the job market and nation building in general. The National Government has invested significant resources in the education sector over the last two years. This has improved the student enrolment in primary and secondary schools as well as tertiary institutions. The National Government has also employed 56,000 teachers for primary and secondary schools and 2,000 tutors for the Technical and Vocational Education and Training (TVET) institutions. This has significantly improved the student-teacher ratio. Under infrastructure, the National Government has facilitated the construction of 614 secondary school classrooms, 392 laboratories, 842 sanitation blocks, 3500

classrooms for grade 9, 143 TVET institutions, and supported procurement and training equipment for 97 TVET institutions.

43. The County Government has invested heavily and implemented vibrant programmes in the education sector to improve the access to education and enhance enrolment and retention levels. Kwale County seems to have high illiteracy levels at 24.5 percent above the nation's rate of 18.5 percent. Kwale County Government has progressively scaled up the investment in education to empower citizens by equipping them with the skills and knowledge required for the job market but also to participate in Government decision making processes, and lead a dignified and quality life. According to KPHC of 2019, 12.6 percent of learners who do not complete their secondary education due to lack of fees are from needy families who are poverty stricken. To reverse this situation, the County has implemented a number of interventions; school feeding programmes, bursary and scholarship, and general economic empowerment of the citizens.

44. The County Government of Kwale like the other county governments is responsible for Early Childhood Development and Education (pre- primary education), Village polytechnics, homecraft centres and child care facilities. Over the years the County Government has constructed and equipped close to 600 modern ECDE centres. To better deliver ECDE services, the County Government has recruited 913 ECDE teachers and deployed them to the centres across the County. In addition, personnel have been recruited to undertake supervision and quality assurance in the ECDE centres. Besides normal learning, ECDE centers have been provided with arts and play equipment for extra curriculum activities. To improve on nutritional status of the children and retain them in class, the County Government has implemented the feeding programme and has been receiving adequate funding.

45. Another mandate of the Education sector at the county is vocational training which is under the village polytechnics and home crafts. Under the Vocational training sub sector, the County Government has established 42 vocational training centres (VTCs) which provide market driven skills including electricians, masonry, carpenters, plumbers, computer science, and mechanics among others. The County Government has also employed 121 instructors/tutors in the VTCs to ensure quality learning. This has increased enrollment in VTCs from 1,678 in 2013 to 5,890 in 2023.

46. The National Government has planned over the medium term to facilitate the construction and equipping of TVET institutions in 52 constituencies; equipping 72 existing TVET

institutions; recruiting 2000 technical trainers and instructors, establishing incubation centres and on line learning in every TVET institution. The National Government will also prioritize teaching and learning of digital skills including coding from primary school to tertiary institutions as well as developing and operationalizing the National Skills Management Information system. Technology and labour market are fast changing and to keep pace and being relevant, learning in TVETs must be linked to the job market and industrial needs. The County Government's education sector will work closely with IT Department to impart computer skills and knowledge to the learners and at the same time introduce courses that are relevant and are market driven.

47. The Education Sector has been implementing over the years the bursary scheme through the popular "Elimu Ni Sasa" initiative. The support given to bright students from needy families was a deliberate strategy to transform education in Kwale and create a pool of human capital with the requisite skills and competencies for the dynamic job market. The County Government started with a support of Kshs 110 million in 2014 but has grown over the years to Kshs 500 million in the financial year 2024/2025. The scheme is sponsoring over 8,842 students from secondary schools, over 6,447 university and college students and an average of 16,805 students every year. Over Kshs 3 billion has been spent in the bursary scheme for the period 2013-2024. The County Government intends to continue the programme although there are challenges which have cropped - up from the Office of the Controller of Budget. The Controller of Budget has advised that in line with the Constitution 2010 on distribution of functions between the National and County Governments, issuing of bursaries is not among the 14 functions of the devolved governments. As such the Office of the Controller of Budget has advised that they will not approve requests for release of funds to counties for issuing bursaries. Additionally, there is a temporary freeze following the Nakuru law court order stopping counties from using taxpayers' money to issue bursaries.

48. In the financial year 2025/26 and the medium term, the sector plans to continue with infrastructural development in the ECDE centres through construction of new centres and rehabilitating the existing ones which are dilapidated. In addition, classrooms will be constructed in those centres with high numbers of learners. The sector will also invest in ECDE instructional materials, arts and play equipment, water harvesting systems, energy saving jikos and continue to adequately fund the school feeding programme. Under the vocational training, infrastructural development will include construction of students' hostels, workshops for

plumbing, electrical wiremen, welding, motor vehicle mechanics, masonry among others. To improve on security, VTCs will be fenced and electrically connected.

2.2.5 Economic Empowerment through the Transformation of the Micro, Small and Medium Enterprise (MSME) Economy

49. The Economic Empowerment of women and youth is at the heart of the Achani-Chirema administration's strategy of transforming the county. Efforts have been to achieve economic empowerment, enhancing the livelihoods of women and bringing in inclusive prosperity and growth for all. The women and youth have been mobilized into groups to form companies which will qualify to secure procurement opportunities for supply of goods and services and also works from the County Government. This will also be supported by the full implementation and compliance to the **Access to Government Procurement Opportunities (AGPO)** which helps businesses owned by women, youth and persons with disabilities to participate in government procurement. Over 200 women and youth groups have been mobilized into companies and have started benefitting from the county government procurement opportunities.

50. Going forward, the County Government will launch the Kwale County Biashara Fund Bill to offer affordable credit to business enterprises to boost their capital and accelerate growth. The women empowerment agenda will also be boosted in the county by the financial inclusion and capacity building programmes of the National Government. The National Government is implementing the Hustler Fund for women –led cooperative societies, chamas, merry –go rounds and table banking initiatives. This will protect the women from predatory lenders who provide loans with very high and exploitative interest rates.

Other Key Transformative Sectors

2.2.6 Tourism Sector

51. Tourism is a critical enabler for the realization of the county socio-economic transformation agenda. Tourism has a huge potential to unlock employment opportunities, generate wealth and reduce poverty. Tourism can also bring in the much needed foreign exchange. Tourism has a multiplier effect on other sectors including agriculture for supplies of food materials and horticultural products, transport industry, car hiring, entertainment and others and therefore can create jobs indirectly and improve livelihoods.

52. The National Government has recognized the tourism sector as a key enabler in the Bottom –Up Economic Transformation Agenda. It is for this reason that the National Government is

implementing various initiatives targeted at promoting tourism. These initiatives include: (i) maintaining and rebranding the “Magical Kenya” brand to include all niche products; (ii) marketing Kenya through brand ambassadors, social media influencers and digital media; (iii) establishing tourism desks in foreign missions; (iv) enhancing the policy on the visa free regime and (v) establishing and maintaining partnerships with low cost carriers and tour operators to connect tourism destinations.

53. Kwale County has a conducive environment for tourism to thrive. The county pride itself of the existence of pristine beaches with high rated world class hotels making Kwale the best destination. In addition, Kwale has a rich cultural heritage, marine parks and game reserves putting the county on a pedestal as the epitome of tourists’ attraction. The County Government has taken advantage of this and has implemented interventions to attract tourism and investments to create jobs, generate wealth and reduce poverty. The County Government’s initiatives in the tourism sector include: opening up and construction of beach access roads; construction of public utilities, pedestrian walkways and market stalls ; installation of streetlights to enhance security; capacity building of beach operators through the Beach Management Units(BMUs); and marketing Kwale as the best destination in both National and International tourism expos and exhibitions.

54. Over the medium term, the County Government will fast track the upgrading of the Ukunda airstrip to full airport status, lobby for the completion of the Kinango-Kwale road tarmacking, mapping of potential tourism products and sites and continue marketing Kwale in both National and International fora. In addition, the County Government will continue with the programmes on beach infrastructural development, landscaping and beautification of urban centres and towns especially the tourism centres. Kenya is one of the most visited countries in East Africa and therefore aviation is essential for the tourism industry to enable safe and easier connection with the rest of the world. Diani is a favorite beach destination and therefore using aviation, the country can attract and increase the number of tourist visits. To facilitate expeditious and safe movement of aircrafts in Kenya’s airspace and improve passenger handling services the Diani airport will be expanded and modernized. This will involve the construction of a control tower, rehabilitation of the terminal building and the Apron at the Diani airport.

2.2.7 Trade and Enterprise Development

55. The mandate of the Trade and Enterprise Development sub sector is to create an enabling environment to promote trade, industry and investments in the county. This sub sector is critical in realization of the county's socio economic transformation agenda. It plays an important role in stimulating economic growth, creating jobs, generating wealth and reducing poverty. This sub sector is linked to the core pillar of transforming the Micro, Small and Medium Enterprise (MSME) economy of the Bottom-Up Economic Transformation Agenda. It provides huge potential in offering numerous opportunities for the economically excluded sections of the population including youth, women, persons with disabilities (PWDs) and the low-skilled persons.

56. The MSME sector faces several challenges which have derailed their expected growth and realization of benefits. These challenges include: (i) limited access to finances for working capital; (ii) inadequate infrastructure; (iii) regulatory and compliance constraints; (iv) limited market access and competition; (v) skills and capacity gaps ;and (vi) weak institutional support and networking. To address these challenges and transform the sector, the National Government established the "Hustler Fund" to provide access to affordable credit. Other reforms in the sector include: strengthening the capacity of the MSMEs to venture into economic activities in building and construction value chains and ring- fencing certain components of low cost housing projects for MSMEs. To further address the challenges facing the MSMEs, the National Government has embarked on the review of the Micro, Small Enterprise (MSE) 2020 policy. The new policy that will be developed will unlock and improve access to finance, reduce regulatory burden, enhance market access and upgrade MSME infrastructure as well as nurture a supportive MSME ecosystems.

57. The Trade sector has implemented a number of interventions to promote trade and industry in the County. Among such interventions include the development of conducive legal and policy frameworks, construction of modern markets, sheds and stalls, promotion of fair-trade practices, promotion of the access to affordable credit for MSMEs, and capacity building of traders. The other interventions the County Government is pursuing is industrialization through agro processing. The sub sector intends to support value addition across the agriculture value chain to create jobs and generate wealth Agricultural produce including horticultural products are perishable and would therefore pose a challenge in storage. Due to poor storage and handling facilities agriculture produce face the problem of post-harvest losses. To support value

addition and overcome the problem of post-harvest losses, the County Government of Kwale constructed the fruit processing in Shimba Hills, Kubo south, Matuga sub- county. Over the medium term more investments will be made at the plant including: the acquisition of machinery and other equipment; street lighting of the road leading to the plant; provision of adequate water by drilling a borehole and perimeter wall fencing to secure the area.

58. Industrialization continues to be an area of focus by the County Government of Kwale. The County Government through the Trade, Industry and Investment subsector is participating in the National Government's programme of establishing County Aggregated Industrial Parks (CAIPs). The CAIPs will foster collaboration among farmers, processors, exporters and research institutions. Establishment of CAIPs is expected to increase employment, exports and local farmers' incomes while promoting economic growth and industrialization. The County Government has commenced the construction of CAIPs in Mwananyamala, Dzombo ward, Lungalunga sub county. Going forward the County Government will develop regulatory and policy frameworks to effectively manage the CAIPs and the Fruit processing plant in Shimba Hills. An investment corporation to be known as Kwale Investment Authority will be formed by the County Government to run the two major investments.

2.2.8 Social Services and Talent Management

59. This sector deals with the promotion of culture and heritage, the development of social amenities, the promotion of arts, sports and talents. It plays an important role in offering social protection and empowerment of youth, women, and the vulnerable groups. The sector has three main subsectors; - Community development and Social services; Culture and Heritage; and Arts and Sports.

2.2.9 Sports and Arts

60. The County Government of Kwale recognizes the important role of sports and arts in talent development, community empowerment and socio –economic transformation through creation of jobs and income generation. Sports and Arts are central to the National Government's Bottom –Up Economic Transformation Agenda. The National Government thus continues to facilitate Sports and Arts development through the formulation of enabling legal frameworks; development of sports and arts infrastructure; creative and film industry, sports tourism, promoting anti-doping campaigns and sustainable monetization of talents.

61. The County Government of Kwale has implemented various strategic interventions to uplift sports and nurture talents. To promote sports the County Government has constructed a state of the art modern stadium with a capacity of 13,000 persons in Kinarini area, Kwale Town.

The stadium has a football pitch, running track, basketball court and other ball game facilities. The stadium's construction contributed to local building and construction with the theme of affordable housing. The efforts of the County Government in sports development have attracted private sector stakeholders to engage in the promotion of sports and talents. The newly constructed Kwale stadium has attracted the private sector to hold ball games competition in Kwale.

62. As part of its efforts to promote sports in the county, the other interventions the department of Social Services and Talent Management implemented over the last two years include: provision of sports equipment, support to local football teams, construction and rehabilitation of wards sports fields, training of coaches and referees, holding annual ball games competition and participating in the inter county games at the National level. Cognizant of the presence of untapped talents in arts and the creative economy, the County Government of Kwale through the department of Social Services and Talent Management has established studios and Amphitheatre for audio recording and filming. The department also formed a music group dubbed "Talanta" band supported with equipment and holds annual music and dance competitions where youths, women and the elderly participate. The winners are then selected to participate in the National music festival. In the recently Mashujaa day's celebrations which were held in Kwale town at the newly constructed stadium youths and women talented in music and traditional dance participated making the event colorful.

63. Over the medium term, the sector will be boosted further by the National Government's efforts in promotion of sports and arts infrastructure and the development of creative and film industry. These efforts will include reforms in the sector which will be anchored through policy and legal frameworks: the Sports Act and Sports Policy; Creative Economy Support Bill 2024 and the Creative Economy Policy. In particular, the Creative Economy Support Bill will establish a supportive environment for creative economy by creating a dedicated Creative Fund.

2.2.10 Culture and Heritage

64. Kwale County boasts itself of diverse cultures and heritage and indigenous knowledge. The County Government's socio-economic transformation agenda aims at ensuring that diverse cultures and cultural heritage of communities are conserved, protected and promoted. The County Government has intervened in various ways to preserve culture and heritage. Some of the interventions include: (i) Identification and protection of cultural sites the popular "kayas" to promote cultural tourism(ii) support to beads-"Shanga" production by building capacity of

the practitioners(iii) promotion of culture through the culture and arts annual competitions where registered groups compete to National level.

65. The National Government recognizes culture as the foundation of the nation and intends to promote culture through policy and legal frameworks. The National Government has developed a Culture Bill, National Kiswahili Council of Kenya Bill and the National Heritage and Museum Bill. The County Government will embrace these bills when enacted and customize them for implementation. Going forward over the medium term, the National Government will implement programmes to empower cultural practitioners. These programmes will also benefit county governments. Over the medium term, the National Government will :

- (i) establish a national arts gallery and promote the Kenya National Music and Cultural festival;
- (ii) conduct cultural exchange programmes(cultural festivals, inter-cultural exchange and dialogue);
- (iii) mapping and documenting Kenya's indigenous languages;
- (iv) establishing an integrated national cultural and creative industries information management system; and
- (v) identification and honoring heroes and heroines during National Holiday celebrations.

2.2.11 Community Development, Youth and Women Agenda

66. The County Government of Kwale has implemented various programmes to promote social change and empower the youth, women and persons living with disabilities. Under the department of Social Services and Talent Management, capacity building for various women groups, village savings and loans associations (VSLAs) and self-help groups have been undertaken. To further promote community development, the County Government has constructed social halls across all wards to create conducive environment for citizens to participate in county decision making processes and carrying out other community activities. The social halls also serve as avenues for civic education. In addition, community libraries have been established in all the four sub counties to inculcate a reading culture for the youth and thus promote community literacy. The County Government has also established recreation facilities and public amenities to support community services, leisure and cultural activities.

67. Youth empowerment is an integral part of the National Government's Bottom Up Economic Transformation Agenda. Youth empowerment is also a key pillar of the county socio economic transformation agenda. Youth play an important role in social change and shaping the destiny of a nation. Youth comprise a large percentage about 79.5 percent of the Kwale County population and therefore programmes should be initiated to deal with the youth "bulge". A

youth bulge can create both socio economic opportunities and challenges. Due to the underdevelopment of our economies and the existence of untapped potential opportunities, a youth bulge often creates challenges such as civil strife, activism, terrorism and riots, like the case of the Generation Z in Kenya during the enactment of the Finance Bill 2024.

68. In a bid to integrate youth in the nation's development agenda, the National Government has implemented initiatives anchored on the Kenya Young People's Agenda. These initiatives include: training youth in entrepreneurial and life skills enhancing their employability and unlocking the potential of MSMEs owned by the youth. Further the National Government has constructed 83 Youth Empowerment Centres (YECs); identified and nurtured 5,200 youth talents and engaged 3,915 youth in green jobs. In addition, the National Government disbursed loans worth Kshs 1.24 billion to 95,664 youth.

69. The youth in Kwale have several challenges which can derail the county socio –economic transformation agenda. The major challenges facing the youth in Kwale include unemployment, poverty, drugs and substance abuse, violent extremism and organized crime by juvenile gangs (the “vipanga”). These challenges have often caused insecurity, increased crime rates, social instability and hindered economic development. The County Government has implemented interventions to reduce crime and drugs related violence and promote a healthy and productive society. These interventions include: (i) establishment of a rehabilitation centre in Kombani area in Waa Ng'ombeni ward to treat the youth affected by drug and substance abuse; (ii) formation of community peace committees and community policing; (iii) civil society organizations peace campaigns (iv) initiating income generating activities for the youth. To empower the youth, the County Government has adhered to Article 55 of the Constitution 2010 on affirmative action and the Access to Government Procurement Opportunities (AGPO) set rules to offer opportunities to the youth to create employment, generate income and thereby reduce poverty. The County Government will continue providing education, employment and income generating opportunities to empower the youth to drive the County socio-economic transformation agenda.

2.2.12 Women Agenda

70. Women empowerment is also a key priority in the county socio –economic transformation agenda articulated in the Governor's vision and manifesto. Women are at the epicenter of the Kwale county transformation agenda. The County Government of Kwale in recognition of this has enacted policies geared towards women empowerment. Specifically, women through their

social groupings are actively involved in the county government procurement. Women have been mobilized and sensitized to register companies to secure county government procurement opportunities. There are over 200 women registered companies with about 50 already securing tenders with the county government for supplies of goods and services.

71. The National Government has established the “Hustler Fund” to enhance women economic empowerment by offering affordable loans to women-led cooperative societies, chamas, and merry-go-rounds and initiated table banking. This will protect the women from unscrupulous money lenders “shylocks” who lend money at very high, exorbitant, punitive and exploitative interest rates. The County Government is in the process of enacting the Kwale County Biashara Fund Bill which will offer affordable loans to business persons, traders, societies and groups. When this bill is enacted into law women enterprises will be given priority. In addition the County Government will offer basic business training in book keeping and records maintenance to support the women. The training and capacity building will also be extended to the already existing Village Loans and Savings Associations (VSLAs) and other women groups.

2.2.13 Gender Equality

72. Gender equality is one of the National Values as prescribed by Article 27 of the Constitution of Kenya 2010. The other values and principles of governance include equity, social justice, inclusiveness, human rights, non-discrimination and protection of the marginalized sections of the society. The Constitution 2010 guarantees equal treatment of both men and women including the right to equal opportunities in political, economic, cultural and social spheres.

73. To promote Gender equality, the National Government has continued to foster greater inclusion of women through increased representation in decision making and breaking the silence on Gender Based Violence (GBV) and Female Genital Mutilation (FGM). Further to promote gender equality, the National Government has provided financial inclusion and capacity building for women through the Hustler Fund; the Women Enterprise Fund and the National Government Affirmative Action Fund (NGAAF). On domestic violence against women, the National Government launched the Protection Against Domestic Violence Rules (PADV) which provide for individuals who suspect or fall victim to aggressive behavior to report their circumstances to the relevant authorities and receive justice.

74. The National Government has enhanced funding for Anti-Female Genital Mutilation campaign and provision of menstrual hygiene to girls and women free of charge. To further

promote gender equality the National Government will integrate gender perspective in designing, implementing, monitoring and evaluation of all policies, programmes and projects. This will entail: training Ministries, Departments, Agencies and Counties (MDACs) on gender responsive budgeting; analyzing levels of compliance of the MDACs on gender mainstreaming policies and development of a legal framework to operationalize the two-third gender principle.

75. To combat Gender Based Violence, the County Government has intensified public awareness and advocacy campaigns as well as enacted a law, the Kwale County Sexual and Gender Based Violence Act. The other measures which the County has introduced are urgent care and support to survivors of GBV. The County Government has established rescue centers where the survivors are physically isolated from the individuals or community responsible for the violence and receive medical care. The County Government is also implementing the Protection Against Domestic Violence (PADV) rules in a multi-sectoral approach involving civil society organizations. In addition, the County Government is implementing women economic empowerment programmes by initiating income generating activities to increase women's bargaining power to reduce households' economic stress which are known to perpetuate GBV.

2.2.14 Environment and Climate Change

76. Environmental conservation and climate change mitigation and adaptation are key in realization of the strategic objectives of Kenya Kwanza Bottom –Up Economic Transformation Agenda. The provision of a clean, secure and sustainable environment as well as Climate change mitigation and adaptation are priority areas of the county socio-economic transformation agenda as articulated in the county integrated development plan 2023-2027. It is for this reason that the County Government of Kwale has continued to mainstream environmental conservation issues and climate change mitigation and adaptation in the implementation of programmes and projects.

77. As part of its environmental conservation efforts, the County Government has implemented various interventions including: the Tree Planting Programme which supports the National Tree Growing Programme; establishment of tree nurseries to produce seedlings; procuring tree seedlings from private tree nurseries and rehabilitation and restoration of degraded public natural forests including mangrove rehabilitation with support from private sector organizations such as Kenya Red Cross, Base Titanium and Plan International. The County has also developed legal frameworks and institutional arrangements for climate change mitigation and adaptation. The county has a Climate Change policy of 2021 and Climate Change Act

2022. The Act has made it possible to have a County Climate Change Planning Committee which has been cascaded to the wards and village units.

78. In addition, the County Government is participating in the Financing Locally Led Climate Action (FLLoCA) programme. FLLoCA is a Kenya government initiative to build resilience to climate change. The program is supported by the World Bank and other donors. Its main goals include: strengthening the capacity of national and county governments to manage climate risks; supporting the country's transition to low carbon economy; building the capacity of counties to plan, budget, implement and monitor climate action and to focus on community and ward –level interventions. The County Climate Change Units (CCCU) at the county level implement the program. In collaboration with the National Government, the County Government will continue funding the Tree Growing Program through FLLoCA.

2.2.15 Governance and Leadership

79. Article 10 of the Kenya's Constitution 2010 articulates the national values and principles of governance. These are binding to all state organs, state officers, public officers whenever any of them makes or implements public policy decisions. The National Values and principles of governance include: (i) patriotism, national unity, sharing and devolution of power, the rule of law, democracy and participation of the people (ii) human dignity, equity, social justice, human rights, non-discrimination, and protection of the marginalized ;(iii) good governance, integrity, transparency and accountability and (iv) sustainable development.

80. Chapter 6 of the Kenyan Constitution 2010 outlines the principles of Leadership that state officers should follow to promote good governance, transparency and accountability in serving the people. The principles of good leadership to be exhibited by the state officers include public trust; transparency and accountability; integrity selflessness; objectivity, and respect. In Kenya an independent commission was established to enforce these principles-the Ethics and Anti-Corruption Commission (EACC).

81. Article 232 of the Constitution of Kenya 2010 provides the values and principles of public service. These are: high standards of professional ethics; efficient; effective and economic use of resources; responsive; prompt; effective, impartial and equitable provision of services; accountability for administrative actions; involvement of people in policy making and transparency and provision to the public of timely accurate information. The Public Officers Ethics Act was enacted to advance the ethics and performance standards of public officers.

This is because public officers occupy positions of authority and trust and control public resources.

82. Corruption including wastage of public resources remain serious threats to the realization of the aspirations of the Bottom-Up Economic Transformation Agenda. To strengthen the framework for governance and anti-corruption including improving accountability and transparency, the National Government has implemented a number of reforms that include: i) published the Kenya's Access to Information (General) Regulations in 2023 that guides on the procedure for proactive disclosure of information by public entities and private bodies; and the procedure for requesting access to information thereby improving access to information by the public; ii) developed the Conflict-of-Interest Bill in line with best practices, to ensure responsible use of public funds would help elevate trust in government and public financial management. The Government shall fast track enactment of the Bill that is currently is being reviewed by a meditation committee comprising of members of the National Assembly and the Senate. Going forward, the Government committing to full automation and publication of asset declarations of high-level public officials; and iii) Strengthened the capacity of the Judiciary for efficient adjudication of corruption cases and improving access to justice through facilitating judicial appointments and provision of adequate infrastructure.

83. In addition, corruption can be detected and deterred through transparency and accountability. Transparency and accountability play a crucial role in curbing corruption by making government actions and decision making processes visible to the public thereby deterring corrupt behavior, enabling citizen oversight and allowing for effective sanctions against those who engage in corrupt activities. When people can see how public funds are being used and hold officials responsible for their actions, the opportunities for corruption significantly decrease. Transparency and accountability can be implemented through: (i) public disclosure of government's budgets and spending (ii) allowing citizens to request and access government documents (iii) requiring state and public officers to disclose potential conflicts of interest (iv) having independent oversight bodies and (v) utilizing technology to streamline processes and improve transparency in government operations.

84. Corruption, wastage, inefficiency, and negligence are serious threats to the county's socio-economic transformation agenda. The County Government will support the institutions mandated to fight corruption in the country to curb such unacceptable practices. The County Government will also implement the Assets Declaration and Conflict of Interest Act to further

eliminate corruption in the county. It is now mandatory for all county government employees to fill out the Assets Declaration forms every two years.

85. The National Government will build on the progress made to strengthen overall leadership and accountability by developing a framework to promote open governance; promoting a culture of adherence to the rule of law; strengthening electoral and political processes, democracy and public participation; and reviving and roll-out an integrated public complaints referral mechanism system. The National Government will also promote coordination of Government Legislative Agenda (GLA) and Parliamentary liaison across all Ministries and State Departments; and promote inter-agency coordination and synergy in the development of legislation and policy, and strengthen the relationship between Parliament and the Executive for the efficient dispatch of Government

86. The call for good governance emphasis has arisen in recent times all over the world and especially in the developing countries due to increased citizen awareness and expectations, scarcity of resources [fiscal imbalance] and the need for prudence in spending them , technological innovations, globalization and demographics. The acceptable attributes of Good Governance identified by the UN are eight: participatory, consensus-oriented, accountable, transparent, responsive, efficient, and effective, equitable and inclusive and adherence to the rule of law. Good governance has the overall result of economic development and poverty alleviation.

87. Good governance is also exhibited in sound budget making. Principles of sound budgeting include accountability; comprehensiveness, transparency, realism, predictability and being participatory. The main issues in budgeting are linking policy and planning to budgeting, unpredictability of funding, failure to direct resources to policy priorities, lack of clear objectives and poor alignment of initiatives to the objectives, unclear measures of performance, [KPIs and Targets]. In order to improve budgeting, the County Government will; (i)Strengthen the public participation and assure allocations reflect priorities; (ii)Ensure spending is consistent with approved allocations(iii)Improve governance and accountability while ensuring there is clarity of policy direction and institutional frameworks, and; (iv)Performance results are measured and feedback is incorporated into the policy making process. The County Government has embraced Performance Programme Based Budgeting since 2014 and will continue with capacity building to the staff to ensure credible budgets are formulated. **The**

County Government has received accolades being rated the overall best county in the country for transparency and accountability by International Budget Partnership (IBP) in 2024.

88. Section 30(3) (g) of the County Governments Act, 2012, states that the Governor shall promote and facilitate citizen participation in the development of policies and plans, and service delivery in the county. Public participation ensures that communities directly or indirectly concerned by Government policies, programs and projects are properly informed and participate in the decision-making process. Participatory planning and budgeting involve all levels of Government and residents cooperating to determine the allocation of public money. Its primary objective is to provide an opportunity for citizens to influence decisions about the provision and quality of services, the programs and projects to be implemented and the achievement of results. Participation increases the level of transparency and it helps to improve the quality of decisions to be made. Kwale County Government continues to pursue public participation as a means of informing citizens, demonstrating openness, transparency, and accountability. This paper will be subjected to public participation as per the provisions of section 117 of the Public Finance Management Act 2012.

89. The County Government will ensure there is efficiency and effectiveness in the delivery of services and implementation of programs and projects through: (i) empowerment of human capital by ensuring competency development of the employees to ensure there is high quality and efficiency in the civil service; (ii) strengthening governance framework by entrenching transparency and accountability; (iii) sound organization structures with clear responsibilities, objectives to be met and performance management; (iv) sound framework and mechanisms for citizen participation in decision making processes; (v) ensuring efficient allocation of public resources by encouraging innovations in service delivery and curbing wastage; (vi) upholding prudent public expenditure, risk management and public procurement processes.

90. The County Government operates a sound accountability framework through: (i) Adherence to reporting and publication of annual reports and statements of accounts; (ii) Internal risk assurance mechanisms through internal audit divisions and support and cooperation to external audit from the office of Auditor General and other agencies like Kenya Revenue Authority (KRA), Ethics and Anti-Corruption Commission (EACC) among others; (iii) Annual State of the County address and other public inquiries and reports made in the public interest; (iv) Access to information as per the constitution by providing information to the public.

91. The County Government in its governance model will use “Whole of Government” approach in both policy making and implementation. This approach is aimed at enhancing coordination in the delivery of services and implementation of programs and projects. This approach will be strengthened where departments and agencies of the County Government will be required to respond to sector issues together building synergies to achieve a shared goal. In the medium term this approach will be applied in the design and delivery of policies, programs, projects, and services to the public.

92. The County Government has established a strong administrative structure that extends to the village unit level. To strengthen governance, policies have been formulated and approved by the County Assembly, including the Village Administration Act 2016. The County Government is now working to establish village councils (councils of elders) for the effective administration of citizens’ affairs.

**CHAPTER THREE: RECENT ECONOMIC DEVELOPMENTS AND
TERM OUTLOOK****3.1 Global Economic Outlook**

93. The global economy is projected to remain resilient despite significant challenges, according to the Organization for Economic Co-operation and Development (OECD). The Outlook projects global Gross Domestic Product (GDP) growth of 3.3% in 2025, up from 3.2% in 2024, and 3.3% in 2026. The global economy has stabilized, with growth expected to be 3.3 percent in 2024 and 2025, slightly down from 3.3 percent in 2023. This is supported by a reduction in global inflation and easing supply chain issues. The outlook reflects stronger-than-anticipated growth in the USA, several large emerging market economies like India, and an improved growth forecast for the UK.

94. Growth prospects vary significantly across regions. GDP growth in the United States is projected to be 2.8% in 2025, before slowing to 2.4% in 2026. In the euro area, the recovery in real household incomes, tight labour markets and reductions in policy interest rates continue to drive growth. Euro area GDP growth is projected at 1.3% in 2025 and 1.5% in 2026. Growth in Japan is projected to expand by 1.5% in 2025 but then decline to 0.6% in 2026. China is expected to continue to slow, with GDP growth of 4.7% in 2025 and 4.4% in 2026.

95. According to the region's most recent economic update, growth in Sub-Saharan Africa is projected to grow by 3% in 2024, from 2.4% in 2023, and to accelerate to 4% in 2025–26. Rising conflict and violence across the region exerts a dampening effect on economic activity, with climate shocks poised to exacerbate this fragility. About 464 million people in the region are still living in extreme poverty in 2024. The region continues to grapple with high debt distress risks, with 53% of IDA-eligible countries in the region at high risk or already in debt distress.

96. However, key risks to global growth include disruptions in the disinflation process, which could be triggered by commodity price spikes due to ongoing geopolitical tensions, potential volatility in financial markets that could negatively impact sovereign debt, a further slowdown in China's growth, and an escalation of protectionist policies, which could worsen trade tensions, reduce market efficiency, and disrupt supply chains.

TABLE 3-1: GLOBAL ECONOMIC PERFORMANCE

Economy	Growth (%)			
	Actual	Estimate	Projections	
	2022	2023	2024	2025
World	3.5	3.3	3.2	3.3
Advanced Economies	2.6	1.7	1.7	1.8
<i>Of which: USA</i>	1.9	2.5	2.6	1.9
<i>Euro Area</i>	3.4	0.5	0.9	1.5
<i>United Kingdom</i>	4.3	0.1	0.7	1.5
<i>Japan</i>	1.0	1.9	0.7	1.0
Emerging and Developing Economies	4.1	4.4	4.3	4.3
<i>Of which: China</i>	3.0	5.2	5.0	4.5
<i>India</i>	7.0	8.2	7.0	6.5
Sub-Saharan Africa	4.0	3.4	3.7	4.1
<i>Of which: South Africa</i>	1.9	0.7	0.9	1.2
<i>Nigeria</i>	3.3	2.9	3.1	3.0
<i>Kenya*</i>	4.9	5.6	5.2	5.4

Source: IMF World Economic Outlook, October 2024. *National Treasury Projection

97. Economic growth in advanced economies is expected to remain steady at 1.8 percent in 2024 and 2025, up slightly from 1.7 percent in 2023. In the United States, growth is forecasted at 2.8 percent in 2024 due to stronger consumption, non-residential investment, and labor market demand. However, growth is projected to slow to 2.2 percent in 2025 as fiscal policies tighten and a cooling labor market dampens consumption. In the euro area, growth is anticipated to pick up, driven by improved export performance, particularly in goods, stronger domestic demand, rising real wages boosting consumption, and a gradual easing of monetary policy supporting investment. Meanwhile, Japan is expected to see a slowdown in growth, influenced by temporary supply disruptions and the waning effects of one-off factors, such as the surge in tourism that boosted activity in 2023.

98. Growth in emerging markets and developing economies is forecasted to stay steady at 4.2 percent in both 2024 and 2025, although there will be differences across key economies. In Sub-Saharan Africa, growth is expected to recover to 4.2 percent in 2025, up from 3.6 percent in 2024 and 2023. This recovery is attributed to stronger economic activity as the negative effects of past weather-related shocks diminish and supply constraints gradually ease.

99. Growth in the emerging market and developing economies is projected to decline relatively modestly, from 4.1 percent in 2022 to 4.0 percent in both 2023 and 2024, although with notable shifts across regions. In sub-Saharan Africa, growth is projected to decline to 3.3 percent in 2023 from 4.0 percent in 2022 reflecting worsening climate change related shocks, inflationary

and exchange rate pressures, and domestic supply issues, including, notably, in the electricity sector. Growth in the region is expected to rebound to 4.0 percent in 2024, picking up in four fifths of the sub-Saharan Africa's countries, and with strong performances in non-resource intensive countries.

100. Africa can lead the way toward inclusive growth by investing in its human resources. In the next 30 years, the region will see the highest growth in its working-age population compared to all other regions, with an expected increase of 740 million people by 2050. Each year, up to 12 million young people will enter the job market, yet only about 3 million formal wage jobs are currently being created annually. As the region's economies recover more quickly in the coming years, policies should focus on distributing the benefits of growth more equitably by investing in human capital, promoting economic diversification, and encouraging job-friendly economic growth.

TABLE 3-2: GDP GROWTH PROJECTIONS FOR 2024 AND 2025, YEAR-ON-YEAR

REGION/ COUNTRY	Actual	Estimated
	2024	2025
World		
Advanced Economies	2.3	2.4
Of which: USA	1.5	1.7
Emerging and Developing Economies	4.7	4.7
Of which: China	4.7	4.2
India	6.1	6.5
Sub – Saharan Africa	3.5	3.1
Of which: South Africa	1.3	0.8
Nigeria	0.8	1.9
EAC – 5	5.3	5.9
Of which: Kenya	4.9	6.0*
EAC – 5: Burundi, Kenya, Rwanda, Tanzania and Uganda		

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

101. The UN World Economic Situation and Prospects (WESP) 2024 reports that Africa's economic growth is anticipated to pick up slightly, with the average GDP potentially rising to 3.5 percent. However, challenges such as debt sustainability issues, fiscal pressures, and climate change introduce uncertainties. This 3.5 percent growth projection represents a modest increase from the 3.3 percent recorded in 2023.

3.2 Domestic Economic Performance

102. Kenya's GDP is projected to grow 5.4% in 2024 and 5.6% in 2025, driven by services and household consumption. Inflation is expected to fall to 6.2% in 2024 and 5.5% in 2025, as food and global inflation both decline. Monetary policy is expected to be accommodating due to projected stable inflation and exchange rates. The fiscal deficit is projected to narrow to 5.9% of GDP in 2024 and 5.0% in 2025 in response to a revenue-led fiscal consolidation program. The current account deficit is projected to narrow to 4.6% of GDP in 2024 and 4.5% in 2025 as a recovery in global trade reduces the trade deficit.

103. The Kenyan economy demonstrated strength and resilience during the first three quarters of 2024, although its growth was slower compared to the same period in 2023. For the first three quarters of 2024, the average economic growth was 4.5 percent (5.0 percent in Q1, 4.6 percent in Q2, and 4.0 percent in Q3), compared to 5.6 percent on average in 2023 (5.5 percent in Q1, 5.6 percent in Q2, and 6.0 percent in Q3). This growth in 2024 was mainly driven by strong performance in agriculture, a slight recovery in manufacturing, and the resilience of the services sector. All economic sub-sectors, except mining and construction, showed positive growth during the first three quarters of 2024, although the growth rates varied across different sectors. The diversified nature of the Kenyan economy continues to be a crucial factor in its ability to withstand domestic and external shocks.

TABLE 3-3: SECTORAL GDP PERFORMANCE

Sectors	Annual Growth Rates		Quarterly Growth Rates					
	2022	2023	2023 Q1	2023 Q2	2023 Q4	2024 Q1	2024 Q2	2024 Q3
1. Primary Industry	(0.8)	5.6	5.3	6.9	5.3	5.0	4.4	3.2
1.1. Agriculture, Forestry and Fishing	(1.5)	6.5	6.4	7.8	6.2	6.1	4.8	4.2
1.2 Mining and Quarrying	9.3	(6.5)	(11.0)	(8.3)	(6.9)	(14.8)	(2.7)	(11.1)
2. Secondary Sector (Industry)	3.5	2.5	2.5	2.1	2.0	1.0	0.8	0.6
2.1. Manufacturing	2.6	2.0	1.7	1.5	2.0	1.2	3.3	2.3
2.2. Electricity and Water supply	5.5	2.8	3.7	2.8	1.3	2.4	1.0	0.9
2.3. Construction	4.1	3.0	3.0	2.7	2.2	0.1	(2.9)	(2.0)
3. Tertiary sector (Services)	6.6	6.8	6.5	6.7	6.3	6.2	5.3	5.3
3.1. Wholesale and Retail trade	3.5	2.7	2.9	2.1	2.8	4.9	4.4	4.8
3.2. Accommodation and Restaurant	26.8	33.6	47.1	42.7	18.1	28.0	26.6	13.7
3.3. Transport and Storage	5.8	6.2	6.6	4.6	8.5	3.9	3.6	5.2
3.4. Information and Communication	9.0	9.3	9.5	7.6	11.0	7.8	7.2	6.1
3.5. Financial and Insurance	12.0	10.1	5.9	13.2	6.3	7.0	5.1	4.7
3.6. Public Administration	5.1	4.6	7.6	3.2	3.4	5.8	5.1	5.4
3.7. Others	5.3	6.1	5.7	5.9	6.1	5.9	5.1	5.1
of which: Professional, Admin & Support Services	9.4	9.4	8.6	6.6	12.8	9.9	6.8	7.8
Real Estate	4.5	7.3	7.3	8.1	6.2	6.6	6.0	5.5
Education	5.2	3.1	2.0	3.1	3.9	4.0	3.1	3.8
Health	3.4	4.9	5.1	4.7	4.8	5.5	5.5	4.4
Taxes less subsidies	6.7	2.2	3.0	1.8	2.0	4.5	5.8	3.4
Real GDP	4.9	5.6	5.5	5.6	5.1	5.0	4.6	4.0

Source of Data: Kenya National Bureau of Statistics

104. The primary sector experienced an average growth of 4.2 percent in the first three quarters of 2024 (5.0 percent in Q1, 4.4 percent in Q2, and 3.2 percent in Q3), primarily driven by strong agricultural performance despite a decline in mining and quarrying. Throughout the first three quarters of 2024, the agriculture sector remained strong, growing by 6.1 percent in Q1, 4.8 percent in Q2, and 4.2 percent in Q3. This growth was bolstered by favorable weather conditions and government efforts to reduce production costs.

105. Mining and quarrying activities saw a decline in the first three quarters of 2024, primarily due to reduced production of key minerals such as titanium, soda ash, and gemstones. This downturn was largely caused by the closure of Base Titanium's Kwale mine, which ceased its mining operations in Kenya in December 2024 due to the depletion of commercially viable ore.

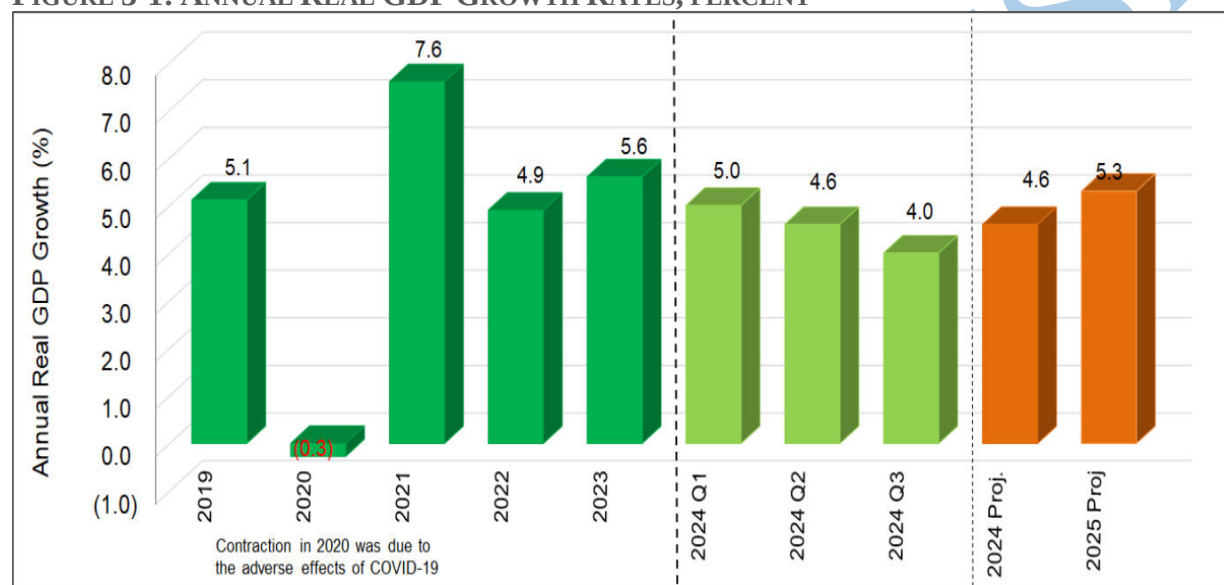
105. The performance of the industrial sector remained weak, with its growth slowing to an average of 0.8 percent in the first three quarters of 2024 (1.0 percent in Q1, 0.8 percent in Q2, and 0.6 percent in Q3). This was primarily due to a slowdown in electricity and water supply activities, along with a contraction in the construction sub-sectors. The decline in electricity and water supply growth was attributed to reduced generation from geothermal, wind, and solar sources, while the contraction in the construction sector resulted from a slowdown in public sector infrastructure projects. In the manufacturing sector, which contributes nearly half of the industrial sector's output, food manufacturing experienced significant growth, while non-food manufacturing saw mixed results.

106. The services sector maintained strong growth in the first three quarters of 2024, with an average growth rate of 5.6 percent (6.2 percent in Q1, 5.3 percent in Q2, and 5.3 percent in Q3). This performance was largely driven by substantial growth in sub-sectors such as accommodation and food services, financial and insurance services, information and communication, real estate, and wholesale and retail trade. The accommodation and restaurant services sector benefited from several prominent international conferences held in Nairobi between April and June 2024, which attracted significant global participation. Growth in the information and communication sector was fueled by increased voice traffic, internet usage, and mobile money transactions, despite a decline in domestic Short Messaging Services (SMSs).

107. Taking into account the performance of the economy in the first three quarters of 2024 and the slowdown in private sector credit growth to key sectors of the economy growth is

estimated to expand overall by 4.6 percent in 2024 and 5.3 percent in 2025. These projections are mainly supported by: a robust services sector and recovery of manufacturing sector; robust agricultural productivity and improvement in exports. The outlook will be reinforced by implementation of policies and reforms under the priority sectors of the Bottom-Up Economic Transformation Agenda (BETA) and improvement in aggregate demand. Additionally, implementation of prudent fiscal and monetary policies will continue to support economic activity (**Figure 3.1**)

FIGURE 3-1: ANNUAL REAL GDP GROWTH RATES, PERCENT

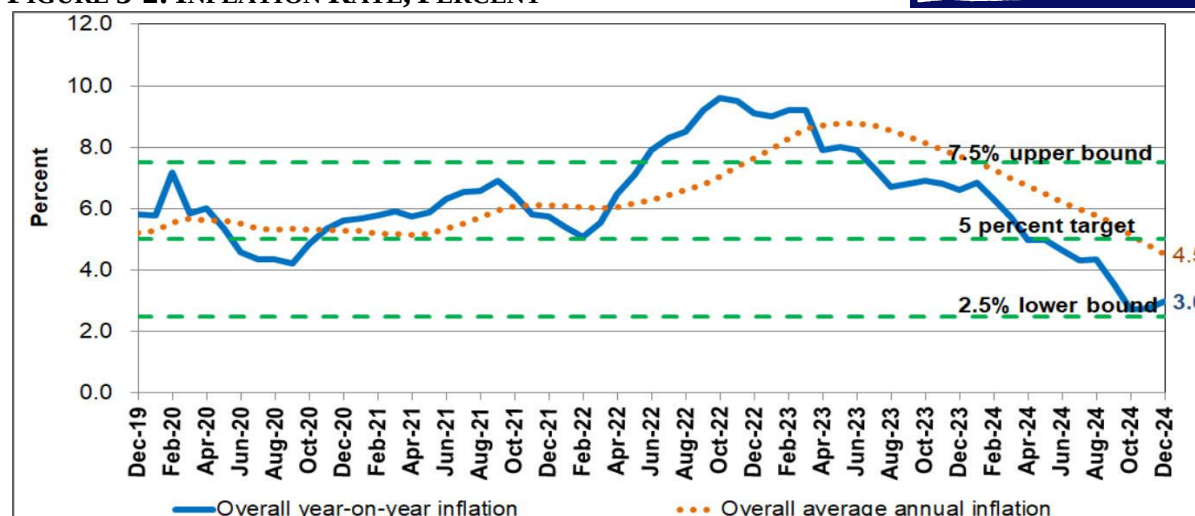


Source: Kenya National Bureau of Statistics

3.2.1 Inflation Developments

108. Overall inflation has decreased and stayed below the 5.0 percent target mid-point since June 2024, primarily due to significant drops in energy prices and ongoing reductions in food prices. Inflation fell to 3.0 percent in December 2024, down from 6.6 percent in December 2023 and a peak of 9.6 percent in October 2022 (Figure 2.2). This decline in inflation has been supported by favorable weather conditions leading to a plentiful food supply, lower fuel inflation due to an appreciating exchange rate and falling international oil prices, and a reduction in non-food, non-fuel (NFNF) inflation, influenced by prior monetary policy tightening

FIGURE 3-2: INFLATION RATE, PERCENT



Source of Data: Kenya National Bureau of Statistics

109. Food inflation continued to be a major contributor to overall year-on-year inflation, though it decreased to 4.8 percent in December 2024, down from 7.7 percent in December 2023. The reduction in food prices was driven by a higher food supply due to favorable weather conditions, ongoing government support, especially through subsidized fertilizer, and a general decrease in international food prices. While the prices of most vegetable-based food items rose in December 2024 compared to December 2023, the prices of non-vegetable food items saw a notable decline during the same period.

110. Fuel inflation dropped to -1.0 percent in December 2024, down from 13.7 percent in December 2023. This decrease was mainly due to the reduction in global oil prices and the appreciation of the Kenyan Shilling, which led to lower pump prices, along with a decrease in electricity prices. Core (non-food, non-fuel) inflation has remained low and steady, reflecting the effects of strict monetary policies and subdued demand pressures. Since inflation is below the target range's mid-point and the exchange rate has stabilized, the Central Bank of Kenya, through the Monetary Policy Committee (MPC), has gradually relaxed its monetary policy by reducing the Central Bank Rate (CBR). It was initially cut from 13 percent to 12.75 percent in August 2024, then to 12.0 percent in October 2024, and further to 11.25 percent in December 2024. This shift in monetary policy is designed to enhance credit availability to the private sector, thereby boosting economic activities.

3.2.2 Monetary and Credit Developments

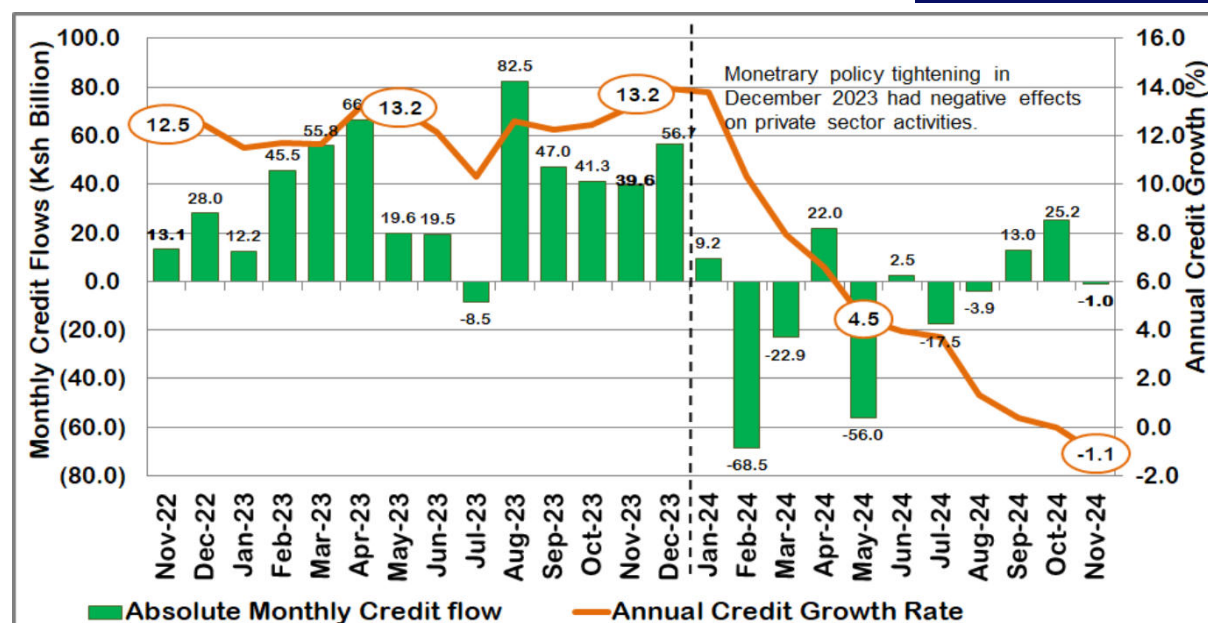
111. Broad money supply (M3) increased by 1.6 percent in the year leading up to November 2024, compared to a growth of 21.1 percent in the same period of 2023 (**Table xxxx**). The slower growth in M3 was primarily due to a decline in the growth of Net Domestic Assets (NDA), particularly domestic credit. The main driver of the M3 growth was the stability of the banking system's Net Foreign Assets (NFA), primarily reflected in the steady foreign assets of commercial banks.

Net Domestic Assets (NDA) shrank by 2.2 percent in the year leading up to September 2024, compared to a growth of 10.9 percent during the same period in 2023. The slowdown in NDA growth was mainly due to a reduction in the growth of domestic credit to the private sector. Meanwhile, domestic credit extended by the banking system to the Government increased, growing by 16.6 percent in the year to November 2024, compared to a 14.4 percent growth in the same period of 2023.

112. Private sector credit growth from the banking system fell by 1.1 percent in the year to November 2024, compared to a 13.2 percent increase in the same period of 2023. This decline was attributed to the effects of exchange rate appreciation on foreign currency-denominated loans and the delayed impact of tighter monetary policies. Reduced credit growth was noted in sectors such as manufacturing, finance and insurance, trade (exports), and building and construction, which have a significant share of foreign currency-denominated loans.

113. Monthly credit flows to the private sector have slowed since December 2023, following the central bank's decision to raise the interest rate to manage inflation expectations, which led to higher borrowing costs (Figure 3-3). However, with the significant easing of monetary policy, credit to the private sector is expected to recover as lending rates decrease. Continued demand, especially for working capital driven by resilient economic activity, along with the implementation of the Credit Guarantee Scheme for vulnerable MSMEs, will support the uptake of private sector credit.

FIGURE 3-3: PRIVATE SECTOR CREDIT

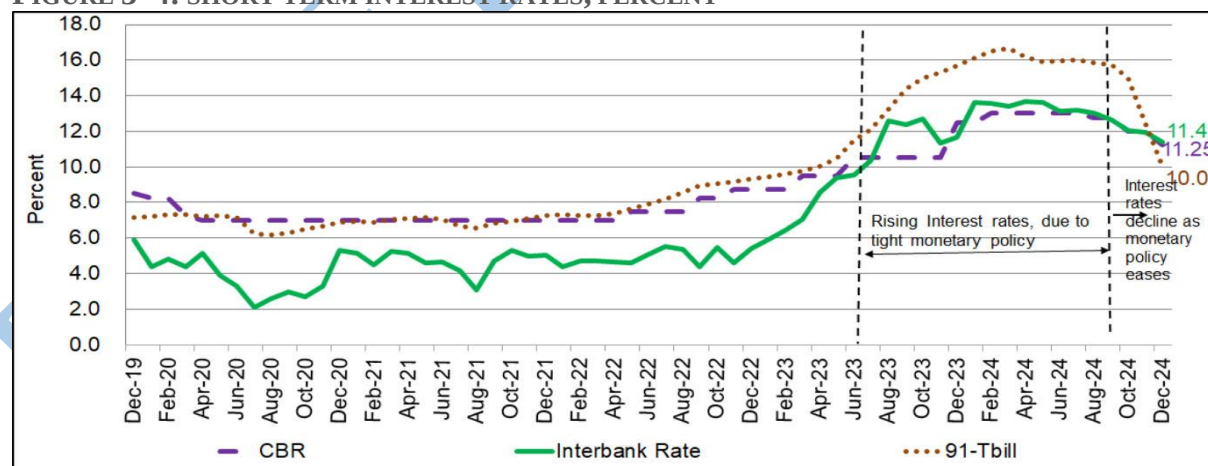


Source of Data: Central Bank of Kenya

3.2.3 Interest Rates Developments

114. Interest rates have fallen in response to the easing of monetary policy. The interbank rate decreased to 11.4 percent in December 2024, down from 11.7 percent in December 2023, and has stayed within the designated corridor around the Central Bank Rate (CBR), which is set at $CBR \pm 150$ basis points. Similarly, the 91-day Treasury Bills rate dropped to 10.0 percent in December 2024, compared to 15.7 percent in December 2023 (Figure 3-4).

FIGURE 3-4: SHORT TERM INTEREST RATES, PERCENT



Source of Data: Central Bank of Kenya

115. In the year leading up to November 2024, commercial banks' average lending and deposit rates rose in response to the ongoing tight monetary policy, reflecting the high cost of available funds. The average lending rate increased to 17.2 percent in November 2024, up from 14.6

percent in November 2023, while the average deposit rate rose to 10.4 percent during the same period. As a result, the average interest rate spread widened to 6.8 percent in November 2024, compared to 4.5 percent in November 2023.

3.3 External Sector Developments

116. The current account deficit stood at US\$ 4,537.9 million (3.6 percent of GDP) in November 2024, compared to US\$ 4,354.5 million (4.4 percent of GDP) in November 2023, reflecting strong export performance and higher remittances. Goods imports rose by 7.5 percent in the 12 months leading to November 2024, driven by increases in intermediate and capital goods.

Meanwhile, goods exports grew by 12.9 percent over the same period, mainly due to higher exports of agricultural products and re-exports. The merchandise trade balance worsened by US\$ 372.3 million, resulting in a deficit of US\$ 10,539.7 million in November 2024, as the rise in import costs outweighed the growth in exports.

117. In November 2024, net receipts from the services account fell by US\$ 13.1 million, reaching US\$ 675.7 million, compared to the same period in 2023. This decline was primarily due to lower transport-related receipts, despite a rise in tourism-related receipts as international travel continued to recover. Remittances, on the other hand, increased by 15.3% to USD 4,804 million for the 12 months ending in October 2024, up from USD 4,165 million during the same period in 2023.

118. In November 2024, the capital account balance rose by US\$ 21.4 million, reaching a surplus of US\$ 152.5 million, compared to a surplus of US\$ 131.1 million in the same period of 2023. Net financial inflows increased to US\$ 5,420.6 million in November 2024, up from US\$ 2,539.6 million in November 2023, reflecting a slowdown in inflows to the government and other sectors. These inflows were primarily in the form of other investments and direct investments. However, portfolio investments and financial derivatives experienced a net outflow, partly due to Kenya's limited access to international financial markets amid higher borrowing costs.

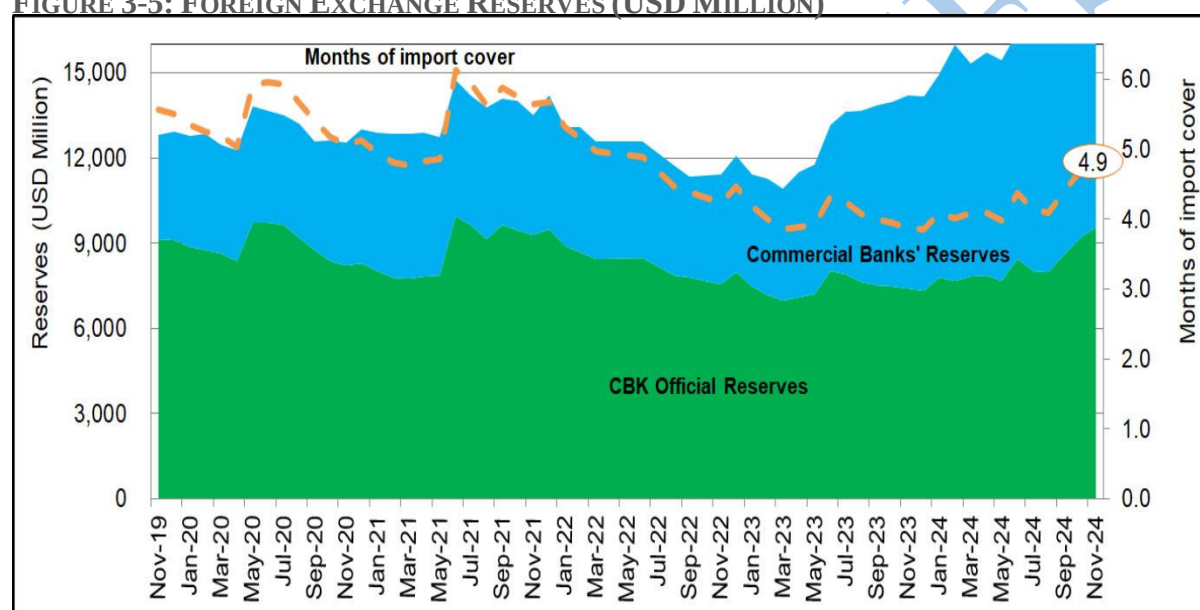
3.3.1 Foreign Exchange Reserves

119. The foreign exchange holdings of the banking system remained robust at US\$ 16,312.1 million in November 2024, an increase from US\$ 14,211.1 million in November 2023. The Central Bank's official foreign exchange reserves reached US\$ 9,578.0 million, up from US\$

7,397.6 million during the same period in 2023 (**Figure 3-5**). However, the foreign exchange holdings of commercial banks declined to US\$ 6,734.1 million in November 2024, from US\$ 6,813.5 million in November 2023.

120. The official reserves held by the Central Bank in November 2024 equated to 4.9 months of import coverage, compared to 3.9 months in November 2023. These reserves continue to offer sufficient protection and act as a buffer against potential short-term disruptions in the foreign exchange market.

FIGURE 3-5: FOREIGN EXCHANGE RESERVES (USD MILLION)



Source of Data: Central Bank of Kenya

3.3.2 Exchange Rate Developments

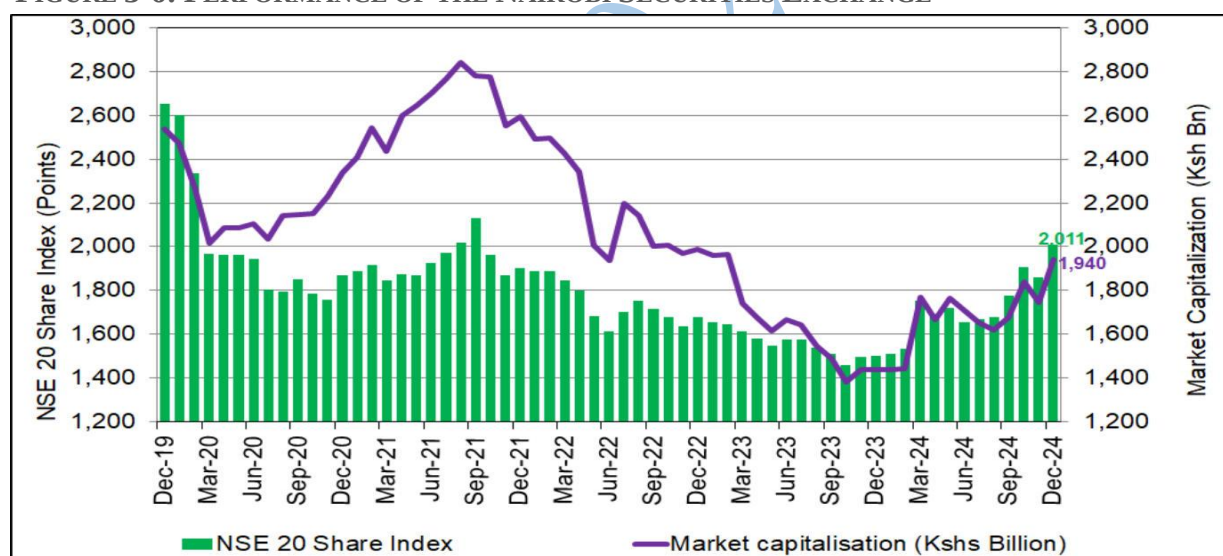
121. The foreign exchange market in 2024 remained stable despite rising global uncertainties, the impact of a stronger U.S. Dollar, and ongoing geopolitical tensions in the Middle East. At the start of the year, the Kenyan Shilling was weaker, but it began to strengthen against the U.S. Dollar in mid-February 2024, eventually stabilizing against other major currencies. By December 2024, the exchange rate for the U.S. Dollar had improved to an average of Ksh 129.4, compared to Ksh 159.7 in January 2024, reflecting a 19.0 percent appreciation. Against the Euro, the Kenyan Shilling gained 22.2 percent, reaching an average of Ksh 135.6 in December 2024, up from Ksh 174.3 in January 2024. Similarly, against the British Pound, the Shilling appreciated by 19.3 percent, trading at an average of Ksh 163.6 in December 2024, compared to Ksh 202.9 in January 2024.

122. The foreign exchange market was primarily buoyed by inflows from agricultural exports, remittances, and portfolio investors, while demand was fueled by a resurgence in economic activities, particularly in the manufacturing, wholesale, and retail sectors. The strengthening and stability of the exchange rate have fostered confidence, leading to increased foreign direct investment and greater investor interest in the Nairobi Securities Exchange. This appreciation has also contributed to lower debt service costs, enhanced domestic borrowing performance, and helped stabilize interest rates.

3.3.3 Capital Markets Developments

123. The economic recovery, the strengthening of the Kenya Shilling against major international currencies, and overall macroeconomic stability have boosted confidence, leading to an influx of foreign direct investment and attracting investors to the Nairobi Securities Exchange. The NSE 20 Share Index rose to 2,011 points in December 2024, up from 1,501 points in December 2023, while market capitalization increased to Ksh 1,940 billion from Ksh 1,439 billion during the same period (**Figure 3.6**).

FIGURE 3-6: PERFORMANCE OF THE NAIROBI SECURITIES EXCHANGE



Source of Data: Central Bank of Kenya

3.4 Fiscal Performance

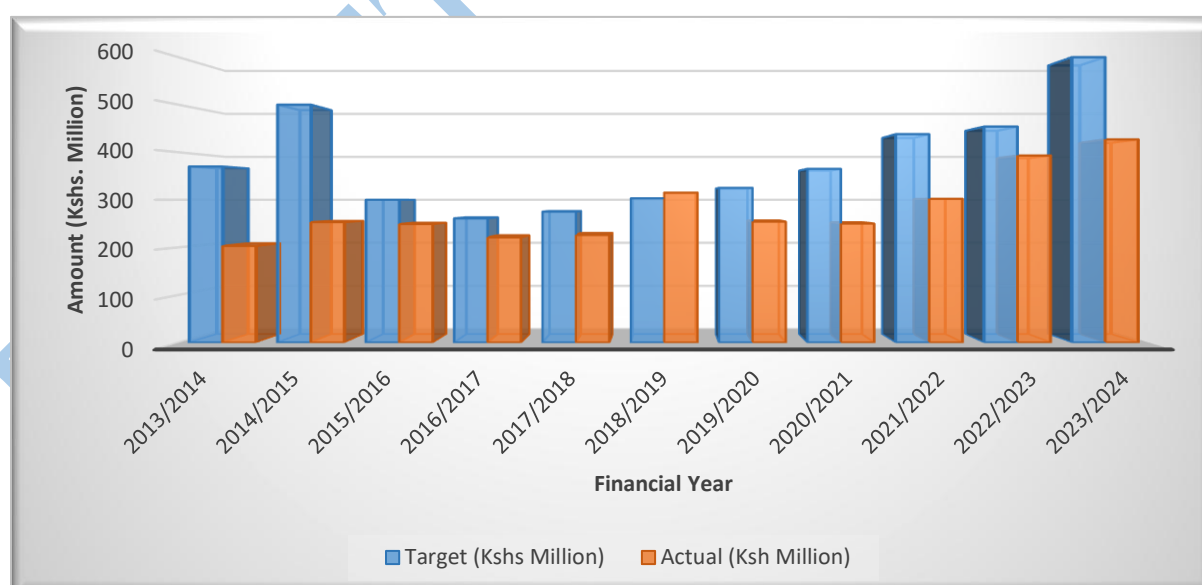
3.4.1 Overview

124. The implementation of the FY 2024/25 budget faced initial delays due to the withdrawal of the Finance Bill, 2024, and protests that slowed down economic activities. Furthermore, the FY 2023/24 ended with outstanding exchequer requests (carryovers) totaling Ksh 218.5 billion, and the implementation of Collective Bargaining Agreements continued to exert pressure on expenditures. To ensure smooth execution of the FY 2024/25 budget and protect the fiscal consolidation plan, the National Treasury streamlined expenditures through the Supplementary Estimates I. The implementation of the County FY2024/25 budget is moving forward successfully, despite facing challenges, primarily due to the delayed disbursement of funds from the National Exchequer.

3.4.2 County Revenue Performance

125. For the period ending June 30, 2024, the County Government of Kwale recorded a total OSR collection of Kshs **427,377,928**, falling short of the annual target of Kshs **600,000,000**. This represents a **71.23%** performance in local revenue collection, a decline from the 86.5% performance achieved in the previous financial year. The main sources of revenue for the county in the 2023/2024 financial year were hospital fees, business permits, land rates, Cess fees, and advertising fees.

FIGURE 7: KWALE COUNTY HISTORICAL TRENDS IN OWN SOURCE REVENUE COLLECTION



Source: Kwale County Treasury

TABLE 3-4: OWN SOURCE REVENUE PERFORMANCE FY 2023/2024 AND FY 2024/2025

No	Revenue Stream	Annual Targeted Revenue (Ksh.) FY 2023/2024	Actual Revenue (Ksh.) as at 31 st Dec 2023	Annual Targeted Revenue (Ksh.) FY 2024/2025	Actual Revenue (Ksh.) as at 31 st Dec 2024
1	Cess	30,909,700	13,710,932	26,582,800	17,706,924
2	Land/Poll Rate	65,000,000	13,815,026	13,050,000	9,981,022
3	Single/Business Permits	68,495,500	6,240,240	9,606,489	4,217,865
4	Property Rent	7,141,000	2,705,332	7,285,775	3,357,203
5	Parking Fees	20,227,800	8,077,590	29,624,650	9,035,481
6	Market Fees	12,403,500	4,238,050	6,441,020	5,530,180
7	Advertising	19,759,300	8,657,000	5,319,650	3,120,890
8	Hospital Fees	265,754,800	65,238,067	219,787,556	83,708,466
9	Public Health Service Fees	8,461,800	804,243	-	543,900
10	Physical Planning and Development	38,472,850	5,505,641	11,280,000	4,689,500
11	Hire Of County Assets	960,000	515,000	2,690,000	513,000
12	Conservancy Administration	3,740,000	2,164,050	3,070,000	2,527,300
13	Administration Control Fees and Charges	51,041,750	3,538,570	9,071,270	2,097,278
16	Other Fines, Penalties, And Forfeiture Fees	112,600	70,450	75,400	86,740
17	Miscellaneous receipts	7,519,400	3,419,844	6,115,390	16,926,229
	Total	600,000,000	138,700,035	350,000,000	164,041,978

Source: Kwale County Treasury

126. In the first half of the 2024/2025 financial year, the County Government collected Ksh. **164,041,978**, which is **46.9%** of the annual target of Ksh. **350,000,000**. In comparison, during the same period of the 2023/2024 financial year, the government collected Ksh. **138,700,035** out of an annual target of Ksh. 600,000,000, achieving **23.1%**. This indicates a modest improvement in the performance of own-source revenue. As of December 31, 2024, the county government had received Ksh. **4,266,274,035** in equitable share, out of a budgeted amount of **Ksh. 8,887,499,175** reflecting a performance of about **48%**. In comparison, during the same period in 2023, the county government had budgeted **Ksh. 8,584,103,693** for the equitable share but only collected **Ksh. 2,832,754,218** which was approximately **33%**. This indicates an improvement in the collection of the equitable share from the National Government.

3.4.3 County Expenditure Performance

127. The budget implementation for FY 2024/2025 is progressing smoothly, despite challenges due to delays in the release of funds from the National Treasury. By the end of December 2024, the County had spent **Ksh 4,352,130,687** out of the revised total budget of **Ksh 15,039,218,850** reflecting an absorption rate of **28.9%**. In comparison, during the same period in FY 2023/2024, the total actual expenditure was **Ksh 5,970,104,646** against a budget of **Ksh 13,729,959,764** which resulted in a **43.5%** absorption rate. This indicates a noticeable decline in absorption.

3.4.3.1 Recurrent Expenditure

128. In the first two quarters of the 2023/2024 financial year, the county spent **Ksh 2,680,610,537** out of a budget of **Ksh 4,789,156,610** representing **56.0%** of the budget. In the same period of the 2024/2025 financial year, the county spent **Ksh 2,706,375,960** against a revised budget of **Ksh 8,114,805,976** which accounts for **33.4%** of the budget. This shows a notable decline in the absorption of recurrent expenditure.

TABLE 5: ANALYSIS OF RECURRENT EXPENDITURE AS AT 31ST DEC 2023 AND 31ST DEC 2024

CODE VOTE	Revised Estimates FY 2023-2024	Actual Expenditure As at 31st Dec 2023	Revised Estimates FY 2024-2025	Actual Expenditure As at 31st Dec 2024
3061 Finance and Economic Planning	1,095,381,935.00	250,403,666.00	922,016,219	321,693,277
3062 Agriculture, Livestock and Fisheries	194,398,251.00	76,464,193.00	195,106,635	77,502,027
3063 Environment and Natural Resources	76,054,872.00	23,825,498.00	131,520,902	25,059,460
3064 Health Services	2,763,734,293.00	1,222,836,156.00	3,057,898,446	1,101,887,240
3065 County Assembly	794,128,805.00	155,992,462.00	799,893,995	97,201,851
3066 Trade, Investment and Cooperatives	84,787,986.00	23,373,781.00	115,461,098	30,477,933
3067 Social Services & Talent Management	121,210,696.00	24,745,014.00	126,124,863	50,331,476
3068 Executive Services	162,983,884.00	50,406,125.00	163,967,428	47,083,539
3069 Education	1,249,642,399.00	507,256,431.00	1,303,382,385	585,987,329
3070 Water Services	121,031,147.00	48,806,554.00	143,291,246	53,345,823
3071 Roads and Public Works	139,654,809.00	50,536,361.00	180,678,096	49,301,134
3072 Tourism and ICT	58,888,090.00	17,530,661.00	106,219,662	56,844,572
3073 County Public Service Board	73,352,111.00	26,035,428.00	85,027,980	14,474,210
3074 Public Service and Administration	310,619,389.00	152,577,104.00	326,008,673	114,961,294

3075 Kwale Municipality	22,108,475.00	1,715,500.00	44,500,202	2,582,210
3076 Diani Municipality	31,823,811.00	2,004,655.00	55,432,502	13,345,735
3077 Office of the County Attorney	260,854,007.00	30,051,890.00	198,133,070	54,648,823
3078 Lungalunga Municipality	4,500,000.00	108,333.00	23,410,676	4,131,097
3079 Kinango Municipality	4,800,000.00	261,000.00	24,187,215	914,105
3080 Promotive and Preventive	163,692,957.00	15,679,725.00	112,544,685	4,602,825
GRAND TOTAL	7,733,647,917	2,680,610,537	8,114,805,976	2,706,375,960

Source: Kwale County Treasury

Personnel Emoluments

129. The county spent a total of **Ksh.1, 545,672,550** on salaries against the total allocation of **Ksh.3, 660,771,708** on personnel emoluments for the financial year 2024/2025 representing **42.2** percent absorption. In the same period in 2023/2024 the county spent Ksh. **1,003,746,780.25** against a budget of **Ksh. 3,809,736,772** which was **26.3** percent.

TABLE 3-6: ANALYSIS OF PERSONNEL EMOLUMENTS AS AT 31ST DEC 2023 AND 31ST DEC 2024

CODE VOTE	Revised Estimates FY 2023-2024	Actual Expenditure as at 31st Dec2023	Absorption Rate (%)	Revised Estimates FY 2024-2025	Actual Expenditure as at 31st Dec2024	Absorption Rate (%)
3061 Finance and Economic Planning	244,842,679	113,873,058	46.5	191,827,567	97,030,703	50.58
3062 Agriculture ,Livestock and Fisheries	147,000,000	70,338,105	47.8	141,138,616	62,560,588	44.33
3063 Environment and Natural Resources	35,933,072	16,453,214	45.8	29,439,457	17,023,612	57.83
3064 Health Services	1,883,448,939	803,082,403	42.6	1,799,738,514	787,172,133	43.74
3065 County Assembly	308,612,771	91,100,826	29.5	308,612,771	69,135,805	22.40
3066 Trade ,Investment and Cooperatives	38,516,535	16,265,490	42.2	39,847,363	15,788,606	39.62
3067 Social Services & Talent Management	34,419,957	15,466,670	44.9	39,180,227	16,206,664	41.36
3068 Executive Services	74,390,873	31,476,287	42.3	74,462,091	31,621,540	42.47
3069 Education	617,259,221	292,029,276	47.3	645,483,712	300,556,292	46.56
3070 Water Services	48,730,993	22,401,804	45.9	47,819,744	19,225,585	40.20
3071 Roads and Public Works	69,242,682	34,461,616	49.8	57,482,129	21,302,625	37.06
3072 Tourism and ICT	27,500,616	12,559,583	45.7	25,481,817	10,561,569	41.45

2025 Draft County Fiscal Strategy Paper

COUNTY ASSEMBLIES FORUM (CAF)
P. O. Box 73552 - 00200,
NAIROBI, KENYA

3073 County Public Service Board	28,697,111	12,830,896	44.7	33,018,286	13,358,950	40.46
3074 Public Service and Administration	218,581,642	125,013,924	57.2	201,176,390	84,127,878	41.82
3075 Kwale Municipality	4,419,370	-	-	4,336,730	-	-
3076 Diani Municipality	10,519,811	-	-	6,397,893	-	-
3077 Office of the County Attorney	14,620,500	-	-	12,384,502	-	-
3078 Lungalunga Municipality	1,500,000	-	-	1,471,951	-	-
3079 Kinango Municipality	1,500,000	-	-	1,471,951	-	-
GRAND TOTAL	3,809,736,772.00	1,003,746,780.25	26.3	3,660,771,708	1,545,672,550	42.22

Source: Kwale County Treasury

3.4.3.2 Development Expenditure

130. During the review period, the County spent **Ksh. 1,645,754,727** out of the revised annual budget of **Ksh. 6,924,412,874** which means the County Government utilized **23.8%** of the development budget. In comparison, during the same period in FY 2023/2024, the County Government had used **21.3%** of its development budget, having spent **Ksh. 1,095,525,855** out of an allocation of **Ksh.5,145,100,562**.

TABLE 3-7: COMPARISON OF DEVELOPMENT EXPENDITURE AS AT 31ST DECEMBER 2023 AND 31ST DECEMBER 2024

Code	Vote	Revised Estimates FY 2023/2024	Actual Expenditure as at 31 st Dec 2023	Revised Estimates FY 2024/2025	Actual Expenditure as at 31 st Dec 2024
3061	FINANCE AND ECONOMIC PLANNING	68,246,601	-	27,557,019	-
3062	AGRICULTURE, LIVESTOCK AND FISHERIES	274,035,250	156,481,110	428,018,962	180,613,223
3063	ENVIRONMENT AND NATURAL RESOURCES	101,677,939	45,533,873	637,612,247	48,020,886
3064	MEDICAL AND PUBLIC HEALTH SERVICES	482,212,044	90,593,483	337,105,406	110,225,797
3065	COUNTY ASSEMBLY	634,646,556	-	439,415,654	-
3066	TRADE, INVESTMENT AND COOPERATIVES	404,261,862	35,856,703	630,470,390	62,223,020
3067	SOCIAL SERVICES AND TALENT MANAGEMENT	292,569,028	8,603,449	304,110,942	147,283,841
3068	EXECUTIVE SERVICES	183,403,077	-	-	-
3069	EDUCATION	656,835,284	106,366,980	427,390,361	134,524,302
3070	WATER SERVICES	1,806,917,763	424,303,525	1,935,539,952	511,097,714
3071	ROADS AND PUBLIC WORKS	574,111,815	169,069,028	1,078,912,721	231,288,145
3072	TOURISM AND ICT	87,514,869	21,165,119	43,050,844	11,093,259
3073	COUNTY PUBLIC SERVICE BOARD	-	-	15,000,000	-
3074	PUBLIC SERVICE AND ADMINISTRATION	27,294,310	-	-	-

3075	KWALE MUNICIPALITY	50,000,000	14,846,126	112,459,627	36,569,066
3076	DIANI MUNICIPALITY	35,732,425	22,706,459	118,781,066	36,569,066
3077	ATTORNEY	-	-	-	-
3078	KINANGO MUNICIPALITY	25,000,000	-	62,531,202	13,408,556
3079	LUNGALUNGA MUNICIPALITY	50,000,000	-	57,723,102	37,029,277
3080	PREVENTIVE	241,854,025	-	268,733,381	64,756,848
	TOTAL	5,996,312,848.0	1,095,525,855.0	6,924,412,874.2	1,645,754,727.

Source: Kwale County Treasury

3.5 Fiscal Policy

3.5.1 Overview

131. The County's fiscal policy for FY 2025/26 and the medium term focuses on backing Kwale County's priority programs outlined in the Governor's manifesto and MTP IV, through a fiscally sustainable growth plan. This plan aims to reduce the annual growth of non-essential recurrent expenditures while also implementing a robust strategy for managing liabilities, all without affecting the delivery of services to residents

This is anticipated to strengthen Kwale County's long-term economic development and growth strategy. Fiscal consolidation will be reinforced through ongoing efforts to improve domestic revenue collection, reassess and optimize spending, while protecting key government programs and social expenditures

3.5.2 Own source Revenue Mobilization

132. The income for the fiscal year FY 2025/26 will be estimated using the actual revenue performance data from FY 2023/2024. To enhance revenue collection in the county, further efforts are required. The Kwale County Government will adopt a combination of tax administrative and policy measures to enhance revenue collection by the County Revenue Directorate, aiming to exceed Ksh 600 million in the medium term and promote economic activity. Specifically, the Government will prioritize efforts to mobilize domestic resources, including: upgrading the automated revenue management system; expanding the recruitment and training of revenue collection staff; implementing revenue mapping to improve efficiency in revenue collection.

3.5.3 Expenditure Reforms

133. The Kwale County Government will continue efforts to enhance expenditure management and boost the efficiency and effectiveness of public spending. These efforts will involve: introducing austerity measures to reduce government recurring costs; implementing a comprehensive e-procurement system to ensure better value for money and greater transparency in procurement; expanding the use of Public-Private Partnerships (PPPs) for

financially viable projects to encourage private sector involvement in public service delivery and fast-tracking governance reforms aimed at crucial County sectors.

134. The county's total expenditure is expected to reduce to Ksh 9,127,499,175 in FY 2025/2026, compared to Ksh 12,210,530,024 in the current FY 2024/2025 approved budget estimates on a cash basis. This reflects a 25.25 percent decrease in the county's budget Spending.

Development expenditure is anticipated to total Ksh 2,889,433,657 in FY 2025/2026, down from Ksh 5,197,060,407 in the current FY 2024/2025 approved estimates, reflecting a reduction of around 44.40 percent. This allocation will represent 31.66 percent of the projected budget, in line with the fiscal responsibility principles set out in the PFM Act 2012. Significant resource allocations will be directed to key areas such as Health services, Education, and Roads and Public Works.

3.5.4 Fiscal Responsibility Principles

135. In accordance with the Constitution, the Public Finance Management (PFM) Act of 2012, the PFM (County Government) Regulations of 2015, and in the interest of responsible and transparent handling of public funds, Kwale County has followed the fiscal responsibility principles outlined in the law as detailed below:

Development Expenditure

136. The Public Finance Management Act, 2012 Section 107(b) mandates that at least 30 percent of each County Government's budget be dedicated to development expenditure over the medium term. In line with this legal obligation, the County Government of Kwale allocated **46 percent** of its budget to development expenses in the FY2024/2025.

Recurrent Expenditure

137 The PFM Act 2012 also outlines that expenditure on the recurrent budget should not surpass the county's total revenue. For the period FY 2023/2024, the actual recurrent expenditure amounted to 7.12 billion, while the total actual revenue was 11.62 billion. In conclusion, the County prepared her budgetary plans in accordance with the required legal framework.

Personnel Emoluments

138. Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015, mandates that the county government's spending on wages and benefits for public officers should not exceed 35 percent of its total revenue. The County Government of Kwale complied with this

requirement by allocating 24.34 percent of its revenue to personnel emoluments, staying below the legal limit.

Own Source Revenue

139. In accordance with Section 107 (2g) of the PFM Act, 2021, a reasonable level of predictability regarding local revenue sources shall be upheld, considering any reforms and actions implemented to guide the county on its transformative path. To ensure a reasonable level of predictability in revenue rates and the revenue base, the County has developed and initiated the approval process for the Kwale Biashara Fund Bill and the Kwale County Finance Bill. These bills aim to provide guidelines on taxation policies that support economic growth, promote diversification within the county's economy, improve its competitive advantage, and create tax incentive programs aligned with the County Government's development goals. They also seek to encourage investment and establish a flexible fiscal space that includes revenue-enhancing tax policies and administrative reforms for the medium term. Additionally, the County continues to implement revenue-raising reforms by modernizing and simplifying tax laws to ensure predictability and improve compliance in the tax system. The primary goal is to generate sufficient tax revenues, create a stable tax environment, and minimize tax expenditures.

3.6 Kenya's Macroeconomic outlook

3.6.1 Overview

140. Kenya's economic performance is expected to remain stable in the medium term. Economic growth is predicted to slow to 4.6 percent in 2024, down from 5.6 percent in 2023, due to a decline in economic activity in the first three quarters of 2024 and a slowdown in private sector credit growth to key sectors. However, growth is anticipated to rise to 5.3 percent in 2025 and maintain a similar pace in the medium term.

141. The growth expected in 2025 and beyond will be driven by increased agricultural productivity and a strong services sector. Agricultural output is likely to be bolstered by favorable weather conditions and government initiatives aimed at improving productivity, although growth in this sector is projected to average around 3.0 percent, in line with trends. The services sector is expected to remain robust, growing at an average of 6.6 percent over the medium term. ICT sector reforms are anticipated to spur growth in financial services, healthcare, and public administration, while the accommodation and restaurant subsectors will

benefit from government efforts to revitalize the industry, including promoting international conferences, cultural festivals, and wildlife safaris. The industrial sector is projected to grow from 0.9 percent in 2024 to 2.2 percent in 2025, with growth exceeding 3.0 percent in the medium term. Industrial growth will be supported by lower production costs and reduced exchange rate pressures, as well as ongoing government initiatives aimed at encouraging value addition.

142. On the demand side, overall domestic demand is expected to stay robust, even as the public sector undergoes consolidation, with the private sector taking on a more prominent role in the medium-term recovery. This growth will be bolstered by an improvement in the external balance, driven by strong export performance and steady remittances.

143. Consumption is forecasted to average about 87.4 percent of GDP in 2025 and continue over the medium term, influenced by reduced government recurrent spending and relatively lower household disposable income as credit to the private sector recovers gradually. As inflationary pressures ease, household disposable income is expected to grow, further supporting consumer spending. Additionally, remittance inflows to Kenya are projected to remain steady, providing continued support to household incomes.

144. Kenya's external position is anticipated to continue supporting macroeconomic stability. The current account deficit is expected to remain stable in the medium term. Exports are projected to recover due to improvements in both the global and regional trade outlook, as well as favorable domestic conditions. Growth will also be bolstered by the implementation of trade agreements such as the Kenya-EU Economic Partnership Agreement and export promotion initiatives. Additionally, higher remittance inflows and tourism earnings are expected to further strengthen the foreign exchange buffer. Imports are predicted to rise as domestic demand rebounds, especially for raw materials, fuels, and intermediate goods, in line with investment growth and stability in the foreign exchange market.

3.6.2 Monetary Policy Management

145. The medium-term monetary policy will focus on keeping inflation within the target range of 5 ± 2.5 percent, while also ensuring a competitive exchange rate and stable interest rates. Inflation is expected to stay within this target, supported by low and stable food prices due to improved supply from favorable weather conditions. Fuel inflation is anticipated to remain low due to base effects, a stable exchange rate, and easing international oil prices. Key risks to

inflation include the uncertainty surrounding international oil prices, influenced by geopolitical conflicts (Middle East and Russia-Ukraine). The ongoing reforms to modernize the Monetary Policy Framework and Operations are enhancing the transmission of monetary policy, anchoring inflation expectations, and improving liquidity distribution in the interbank market. Notably, the interest rate corridor, initially set at CBR $\pm$ 250 basis points, was narrowed to $\pm$ 150 basis points in June 2024 to better align the interbank rate with the CBR. Additionally, the Discount Window interest rate has been reduced from 600 basis points above the CBR to 400 and then 300 basis points above the CBR, improving access to the window.

146. To further improve interbank market efficiency and strengthen the alignment of the policy rate with the interbank rate, the Central Bank of Kenya has introduced the following key reforms in the interbank foreign exchange market: (i) Implementation of an electronic matching system (EMS) in the interbank market; (ii) Removal of the maximum 20-cent spread on indicative quotes in the interbank market; (iii) The CBK's published exchange rate is now based on the weighted average rate of all interbank transactions conducted the previous day, replacing the previous system that relied on indicative rates from selected major interbank players.

TABLE 8: KENYA'S MACROECONOMIC INDICATORS AND PROJECTIONS

	2022	2023	2024	2025	2026	2027	2028	2029
	Act	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.
<i>annual percentage change, unless otherwise indicated</i>								
National Account and Prices								
Real GDP	4.9	5.6	4.6	5.3	5.3	5.4	5.4	5.4
Primary Sector	-0.8	5.6	4.3	2.6	2.8	3.1	2.9	3.0
- of which: Agriculture	-1.5	6.5	5.0	3.0	3.0	3.2	2.9	3.0
Secondary Sector	3.5	2.5	0.9	2.2	2.7	3.1	3.5	3.7
Services Sector	6.6	6.8	5.7	6.3	6.7	6.6	6.6	6.6
GDP deflator	7.0	6.1	4.7	5.0	4.8	4.6	4.9	4.9
CPI Index (eop)	9.1	6.6	4.8	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	7.6	7.7	4.5	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	0.7	-3.3	1.7	2.4	2.0	3.0	3.4	3.9
Money and Credit (end of period)								
Net domestic assets	7.5	4.6	9.4	9.3	9.1	9.5	9.0	9.7
Net domestic credit to the Government	10.3	6.3	5.5	6.1	6.1	5.6	4.4	5.9
Credit to the rest of the economy	7.8	4.4	8.8	12.1	11.6	11.0	10.0	13.4
Broad Money, M3 (percent change)	9.5	8.2	10.4	10.5	10.5	10.6	10.6	10.7
Reserve money (percent change)	6.0	7.6	4.3	10.4	10.4	10.5	10.5	10.6
<i>in percentage of GDP, unless otherwise indicated</i>								
Investment and Saving								
Consumption	87.9	88.9	88.3	87.7	87.4	87.4	87.3	87.1
Central Government	12.2	11.9	11.4	10.9	10.8	10.8	10.8	10.6
Private	74.9	76.2	76.2	76.2	76.1	76.1	76.1	76.1
Gross Fixed Capital Investment	19.1	16.4	17.2	16.2	16.4	16.8	16.7	16.8
Central Government	4.6	4.2	4.2	4.6	5.0	5.1	5.5	5.1
Private	14.4	12.2	13.0	11.6	11.5	11.7	11.2	11.7
Gross National Saving	14.0	11.2	13.3	12.3	12.5	12.9	12.9	12.8
Central Government	-4.1	-3.0	-4.9	-3.7	-2.8	-2.3	-2.1	-1.2
Private	18.1	14.3	18.1	16.1	15.3	15.2	14.9	14.0
Exports value, goods and services	12.2	11.7	11.7	11.1	10.9	10.7	10.2	10.5
Imports value, goods and services	21.5	20.4	19.8	18.5	17.9	17.4	16.7	15.5
Current Account Balance	-5.0	-5.1	-4.0	-3.9	-3.9	-4.0	-3.8	-4.0
Gross reserves in months of next yr's imports	4.3	3.7	3.9	4.0	4.0	4.0	4.2	4.0
Gross reserves in months of this yr's imports	3.9	4.0	4.3	4.3	4.3	4.3	4.3	4.3
Central Government Budget in Fiscal Years								
Total revenue	17.2	16.5	16.9	17.6	18.2	18.6	19.0	19.6
Total Expenditure and Net Lending	23.7	22.5	21.5	22.3	22.5	22.5	22.6	22.7
Overall Fiscal Balance excl. Grants	-6.5	-6.1	-4.5	-4.7	-4.2	-3.8	-3.6	-3.2
Overall Fiscal Balance, incl. Grants	-6.2	-5.9	-4.3	-4.4	-3.9	-3.5	-3.3	-2.9
Overall Fiscal Balance, incl. Grants, Cash Basis	-6.2	-5.6	-4.3	-4.4	-3.9	-3.5	-3.3	-2.9
Primary Budget Balance	-1.6	-0.8	1.3	1.4	1.7	2.1	2.3	2.5
Public debt in Fiscal years								
Nominal Central Government Debt (eop), Gross	71.9	66.7	65.0	62.7	60.3	57.8	55.2	52.2
Nominal Debt (eop), Net of Deposits	68.5	63.4	62.0	60.0	57.8	55.6	53.2	50.4
Domestic (Gross)	33.8	34.2	33.4	33.0	32.6	32.1	31.2	29.6
Domestic (Net)	30.4	30.9	30.4	30.3	30.2	29.9	29.2	27.8
External	38.1	32.5	31.6	29.7	27.7	25.7	24.0	22.6
Memorandum Items:								
Nominal GDP (in Ksh Billion)	13,490	15,109	16,544	18,325	20,221	22,351	24,708	27,329
Nominal GDP (in US\$ Million)	114,450	108,037	121,737	141,429	156,086	172,321	190,214	209,922

3.7 Growth Prospects

147. Kenya's economy is expected to continue its recovery trajectory in 2025. The International Monetary Fund (IMF) and World Bank have projected growth, although it may be tempered

by global economic uncertainties. The key sectors driving growth include agriculture services (particularly information technology), and construction.

3.7.1 Inflation

148. Inflation has been a concern in recent years, driven by both internal factors (such as food prices) and external ones (such as oil prices). However, inflation management is a focus of the central bank. In 2025, inflation could stabilize if agricultural productivity improves and energy prices become more manageable.

3.7.2 Debt Levels

149. Kenya's public debt has been rising in recent years, driven by infrastructure spending and fiscal deficits. Managing debt sustainability will be a critical challenge in 2025, with attention on both domestic and external borrowing. Efforts to boost domestic revenue collection and avoid over-reliance on debt will be important.

3.7.3 Monetary Policy.

150. The Central Bank of Kenya (CBK) is expected to continue managing interest rates to control inflation while also supporting growth. The monetary policy will be key in balancing the need to control inflation and stimulate investment.

3.7.4 External Trade and Investment.

151. Kenya is a regional hub for trade and investment, and efforts to boost exports and foreign direct investment (FDI) will be key to its growth. The 2025 outlook will depend on how well Kenya can tap into regional markets and maintain competitiveness in sectors like tourism and agriculture.

3.7.5 Social Challenges

152. Unemployment, poverty, and inequality remain challenges. While the government has been investing in job creation and poverty reduction programs, progress in these areas will impact the broader economic outlook.

3.8 Global Macroeconomic Outlook

153. In 2025, the global economy is expected to grow at roughly the same pace as in 2024. Ongoing solid development in the US and above-average growth rates in many emerging markets are likely to bolster growth. In the Eurozone, growth will remain weak overall. China is expected to see a further drop in growth rates in 2025. While inflation in the world's industrialized economies looks set to remain on a downward trajectory, not all central bank targets will be met. The outlook is overshadowed by unusually high levels of (geo) political uncertainty.

154. Key factors influencing economic trends this year include stubbornly high geopolitical risks and uncertainty regarding future economic policy developments. The political course that the US ultimately charts out, especially with regard to trade policy, will be particularly important. Major geopolitical risk scenarios also remain in the form of Russia's war of aggression in Ukraine and – despite recent positive signals – the unresolved conflict in the Middle East, which could escalate again.

155. The global economy will remain characterized by substantial differences in growth rates among major economies – and also across economic sectors. The rate of global growth in 2024 – relatively moderate in a longer-term comparison – was driven by momentum in the services sector, whereas industrial manufacturing showed only weak development all in all. This explains why US economic growth remained very robust at just shy of 3%; whereas Germany, Europe's largest economy, stagnated. Growth in China was hindered by the real estate crisis in particular. Inflation in industrialized countries dropped significantly year on year, although inflationary pressure remained due to above-average price increases in the services sector.

156. Global economic growth in 2025 looks set to roughly match the 2024 level. Growth in the US is expected to dip slightly and remain solid at roughly 2.5%, also thanks to higher productivity momentum than in Europe. Economic output in the Eurozone is predicted to grow by 1% again, after very weak growth in the previous two years. These figures do, however, conceal clear differences within the euro area: countries whose economies are dominated by the services sector, such as Spain, will achieve much more dynamic growth. Germany, on the other hand, is likely to finish bottom of the table again, also due to pressure from high energy prices and an environment in which German companies are becoming less competitive on the international stage. The rate of inflation in the Eurozone is expected to continue to drop year on

year and move closer into line with the 2% target set by the European Central Bank (ECB).

The US, on the other hand, will continue to face more elevated price pressure and is unlikely to meet the Federal Reserve's inflation target. With this in mind, financial markets and a majority of economic forecasters are predicting more rate cuts by the ECB than by the Federal Reserve in 2025.

157. All in all, the uncertainty associated with the global economic outlook remains extremely high, with risks outweighing opportunities. The political course that the US ultimately charts out, especially with regard to trade policy, will be particularly important. A drastic increase in the tariffs imposed on major trading partners and retaliation by the countries affected could lead to a global trade conflict. This would translate into lower economic growth, also in the US, and would send inflation upward again. Major geopolitical risk scenarios also remain in the form of the conflict between China and Taiwan, Russia's war of aggression in Ukraine and – despite recent positive signals – the unresolved conflict in the Middle East. If, by contrast, the tension in the Middle East eases or the war in Ukraine ends, this could trigger a marked improvement in sentiment in the corporate sector and among private households alike, particularly in Europe, which would fuel higher growth.

3.9 Risks to the Economic Outlook.

158. Although the macroeconomic environment remains stable, there are risks arising from both domestic and international factors. Geopolitical tensions between the Middle East and Ukraine have exacerbated supply disruptions due to shipping crises, leading to higher global import and production costs, largely due to the uncertainty surrounding international oil prices. Domestically, extreme weather changes could negatively affect agricultural yields, heightening food insecurity and increasing the prevalence of waterborne diseases. The combination of strained global and domestic financial conditions, driven by lower-than-expected global economic growth, may lead to a decline in exports, tourism revenue, and remittance growth, while rising global fuel prices could lead to higher import costs.

159. The County's macroeconomic outlook faces several risks: (i) the growing wage bill due to ongoing recruitment in the public service will limit the resources available for development, hindering the goal of rapid socio-economic progress in the long term, and (ii) delays in fund disbursement from the National Treasury threaten the County's economic prospects. These delays often result in the late execution of county programs and projects, affecting contractors,

suppliers, and manufacturers. This ultimately reduces investment in the local economy, particularly in the building, construction, and related sectors.

160. The Kenya Revenue Authority's underperformance in revenue collection at the national level may hinder the growth of the equitable share of income for counties. Additionally, poor local revenue collection could negatively affect county growth sustainability. The government's strict fiscal policies may also result in limited liquidity, which could reduce overall demand. Despite this, the outlook for both the domestic and county economies could be negatively impacted by risks associated with unpredictable weather patterns caused by climate change, which may harm agricultural production and lead to domestic inflation. Additionally, the government's strict fiscal policies could create tight liquidity, which would affect overall demand.

3.9.1 Risks associated with Conflicts from development partners.

161. The decision by the Trump administration to withdraw or reduce USAID financial aid to Kenya had significant economic and social implications for the country. While the direct impact on the economy was multifaceted, here are some of the key areas affected:

Disruption of Development Projects

162. USAID has long been a key player in funding projects that promote economic development, infrastructure, education, healthcare, and governance in Kenya. The withdrawal or reduction in aid disrupted many ongoing projects, particularly those aimed at poverty alleviation, rural development, and improving public health systems. This meant a loss of resources for projects that were pivotal in addressing Kenya's development challenges. Examples of programs affected: (i) Health initiatives such as HIV/AIDS prevention and treatment programs, where USAID has been a major financier. Reduced funding led to disruptions in healthcare delivery and could potentially increase the burden on Kenya's public healthcare system; (ii) Agricultural development programs aimed at increasing food security and improving farming techniques for smallholder farmers were also at risk, which could have affected the livelihoods of millions of Kenyans.

Impact on Health Sector

163. Kenya has been a major beneficiary of U.S. support for its health sector, particularly for HIV/AIDS, malaria, and maternal health. USAID's financial aid directly supported HIV

prevention, treatment, and care services, as well as the training of healthcare workers. The reduction in this aid led to: **Increased strain on the national healthcare system:** Without continued funding, Kenya had to look for alternative funding sources, which may not have been as readily available. **Increased healthcare costs:** The Kenyan government had to shoulder more of the financial burden of healthcare services, which placed additional stress on its budget.

Economic Impact on Infrastructure and Energy Projects

164. USAID also supported several infrastructure and energy projects, which were crucial for Kenya's long-term economic growth. This included funding for roads, renewable energy projects, and water supply systems. **Delayed or halted infrastructure projects:** Some projects that were to be funded or co-funded by USAID saw delays or cancellations, which affected Kenya's ambitions to improve its infrastructure. **Energy sector setbacks:** USAID had provided support for initiatives in renewable energy, such as solar power and wind energy projects. The funding cuts hampered Kenya's ability to diversify its energy mix and develop cleaner, more affordable energy sources.

Reduction in Foreign Direct Investment (FDI)

165. Foreign aid, including USAID, often acts as a signal to other donors and investors about the stability and reliability of a country. The withdrawal of U.S. financial assistance could have signaled to the global investment community that Kenya was facing challenges in securing support from its traditional partners. This might have made Kenya less attractive to foreign investors, potentially leading to a reduction in foreign direct investment. The reduction in USAID aid also risked destabilizing Kenya's status as a key regional player in East Africa, potentially affecting its regional economic influence.

Impact on Regional Trade and Security Cooperation

166. USAID is not only involved in direct aid projects but also in fostering stability and regional trade in East Africa. The U.S. provided financial support to regional cooperation efforts, trade facilitation, and cross-border security.

Decreased security cooperation: Kenya's role as a partner in counterterrorism efforts, especially in Somalia, was affected. U.S. aid supported security operations and counterterrorism training, which, if withdrawn, could have compromised Kenya's ability to maintain regional security and stability.

Decline in regional economic integration: Without the U.S. support for regional economic programs, Kenya could have faced challenges in improving trade and investment flows within the East African Community (EAC) and beyond.

Social and Political Consequences

167. The reduction of USAID support had broader social implications. USAID-funded programs in Kenya helped support democratic processes, human rights advocacy, and civil society initiatives. A loss of financial aid to these areas could have led to: **Strained relations between Kenya and the U.S.:** Kenya may have found itself needing to balance its relationship with the U.S. while seeking alternative sources of funding, potentially diversifying its partnerships, **Increased political instability:** Reduced financial aid to governance and democracy-related initiatives could have weakened civil society, making it more difficult to advocate for good governance, rule of law, and anti-corruption efforts.

Shifting Sources of Aid

168. With the U.S. cutting aid, Kenya sought to diversify its aid and development partnerships with other countries. China, the European Union, and other countries began to step up their financial support, though this did not necessarily replace the level of U.S. assistance. **Increased reliance on Chinese investment:** Kenya began turning to China for infrastructure funding, but this came with a different set of risks, such as higher levels of debt and a potential loss of economic autonomy., **Greater dependence on international organizations:** Kenya leaned more on multilateral institutions like the World Bank and the African Development Bank to fund key projects, but these funds often came with stricter conditions and longer timelines.

169. The Government keeps monitoring both the domestic and global environment and will implement suitable policy actions to protect the economy from any negative impacts if the risks materialize.

CHAPTER FOUR: BUDGET FOR FY2024/2025 AND THE MEDIUM TERM

4.1 Fiscal Framework for FY 2025/2026 and the Medium Term

170. The budget for FY 2025/26 and the medium term is based on the County's policy priorities and macroeconomic framework set out in chapter II and III of this Paper. The *FY 2025/26 Medium-Term Expenditure Framework* will be guided by the Kwale County Integrated Development Plan 2023-2027 whose theme is transforming Kwale together and will be linked to the realization of the Bottom –Up Economic Transformation Agenda whose pillars are: to improve agricultural production and productivity, revamp the returns from micro, small and medium sized enterprises, offer affordable housing, guarantee Universal Health Coverage and enhance the Digital and Creative Economy.

171. The County Government 's Medium-Term Expenditure Framework for FY 2025/2026 will be guided by the following objectives: (i) To increase sustainable agriculture production, value addition and market access for targeted value chains; (ii) To enhance access to quality and affordable healthcare services; (iii) To improve urban and rural infrastructural development for rapid socio economic transformation ; (iv) To enhance education for the Kwale children and the youth to create a pool of human working capital; (v) To enhance empowerment of the youth and women through acquiring of County procurement opportunities .

4.2 Key Development Enablers

The Development framework will be supported by the following key enablers;

172. Enhanced Resource mobilization and Strategic Partnerships; this will be aimed at enhancing resource mobilization to support the County Government Development agenda. This will be achieved through strengthening internal revenue generation systems, establishing and strengthening partnerships and collaborations, enhancing community contribution in development and Instituting appropriate controls to minimize wastage of county resources.

173. Coordination and Service delivery; the government will institute governance mechanisms to ensure harmonized coordination and improved service delivery. This process will involve instilling integrity, establishing robust accountability mechanisms, automation of government services, enhancing efficiency in service delivery, reengineering and strengthening the county administration as pivotal pillars in service delivery.

174. Developed and self-sustaining cooperative movement; as a means of enhancing agricultural productivity and profitability through enhanced marketing of agricultural produce and supporting extension programme.

175. Integration of ICT; The Government is committed towards enhancing the use of ICT as a catalyst for enhancing service delivery and promoting accountability and transparency by ensuring information is readily available to the citizens.

176. Youth empowerment and innovation/ Mainstreaming; The government will ensure youth programmes are integrated in all County Government programs to empower them by creating employment opportunities, reducing exposure to risks, enhancing their capacity and building their resilience to manage both economic and social shocks.

4.3 Resource Envelope for the FY 2025/2026 and the Medium Term

4.3.1 Revenue Projections

177. The FY 2025/26 revenues are projected to increase to Kshs **9,709,768,508.00** from Kshs **9,537,499,175**, excluding grants in FY 2024/25 representing a growth of 1.8 percent. The growth is contributed by the increase of the County generated revenues as highlighted in **Table 4.1** below. The budget will be funded from two main sources namely equitable share – 92.58 percent, Own Source revenue at 7.42 percent.

TABLE 4-1: FISCAL REVENUES FOR 2023/24-2026/27 MTEF PERIOD IN KSHS

Source	FY 2024/25 Printed Estimates (Kshs Million)	FY 2025-2026 Projections (Kshs Million)	FY 2026-2027 Projections	FY 2027-2028 Projections
Own Source Revenue	350,000,000	360,000,000	396,000,000	435,600,000
Equitable Share of Revenue from National Government	8,887,499,175	8,989,768,508	9,888,745,359	10,877,619,895
Facilities Improvement Fund (FIF)	350,000,000	360,000,000	396,000,000	435,600,000
GRAND TOTAL	9,537,499,175	9,709,768,508.00	10,680,745,358.80	11,748,819,894.68

Source: Kwale County Treasury Projections, 2025

4.3.2 Expenditure Projections

178. The Budget for FY 2025/26 is projected to increase from Kshs **9,537,499,175** in FY 2024/25 to Kshs **9,709,768,508** representing an overall growth of 1.8 %. The Recurrent expenditure is projected to be Kshs **6,699,334,853** an increase of 3 per cent from Kshs **6,493,332,549** in the printed estimates for FY 2024/25. The Development Expenditure is estimated to be Kshs 3,010,433,655 representing 31% of the total County Budget.

Table 4.2: Projected Expenditures for 2025/26-2027/28 MTEF period

Economic Classification	FY2024/25	FY2025/26	FY2026/27	FY2027/28
	Printed Budget Estimates	Projection	Projection	Projection
Salaries	3,660,771,708	3,722,142,380	3,833,806,651.54	3,948,820,851.09
Operation & Maintenance	2,832,560,841	2,977,192,473	3,274,911,720.30	3,602,402,892.33
Recurrent	6,493,332,549	6,699,334,853	7,108,718,371.84	7,551,223,743.42
Development	3,044,166,626	3,010,433,655	3,572,026,987.11	4,197,596,151.43
Total Budget	9,537,499,175	9,709,768,508	10,680,745,358.95	11,748,819,894.84
Development Index	31.92%	31.00%	33.44%	35.73%

Source: The County Treasury

4.3.3 Fiscal Responsibility Principles

179. In line with the Constitution, the Public Finance Management (PFM) Act, 2012, the PFM Regulations, 2015 and in keeping with prudent and transparent management of public resources, the County has adhered to the fiscal responsibility principles as set out in the Act.

180. The Government projected development index for FY 2023/24 is **31** percent which is within the minimum 30 percent required by the PFM Act 2012.

181. On wages and benefits, the county has been grappling with high wage bill due to mandatory increase of salaries to staff. The county has frozen the employment of new staff and is enhancing its resource mobilization strategies to ensure the wage bill reduces from the current 38 percent to 35 percent.

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4.4 Medium Term Expenditure Framework (MTEF) Ceilings and Sector Priorities

4.4.1 Recurrent Ceilings

Personnel Emoluments and Operations and Maintenance

182. The personnel ceilings have been set by considering the current wage bill and caps on all existing county staff in all departments in the current financial year and projected for FY 2025/26. This takes consideration of all mandatory annual wage bill and basic salary increment. In the medium term, the government will put in strategies to ensure that the wage bill does not increase beyond the limits provided in the PFM Act 2012. The operations and maintenance ceilings are predetermined limits for departments which were capped by considering the following ; (i) Departmental devolved and transferred functions in line with the sector mandates (ii) Non-discretionary and mandatory expenditure items

TABLE 4-3: SUMMARY OF ALLOCATIONS BY VOTE AND ECONOMIC CLASSIFICATION

TOTAL EXPENDITURE CEILINGS FY 2025/2026					
VOTE	P.E	O & M	RECURRENT EXP FY 2025/2026	DEVELOPMENT EXP FY 2025/2026	TOTAL EXP FY 2025/2026
3061 Finance and Economic Planning	191,827,566	600,673,738	792,501,304	10,000,000	802,501,304
3062 Agriculture, Livestock and Fisheries	156,172,416	75,325,822	231,498,238	115,850,000	347,348,238
3063 Environment and Natural Resources	31,965,024	81,543,265	113,508,289	211,935,450	325,443,739
3064 Curative Health Services	1,824,394,807	510,752,063	2,335,146,870	247,700,000	2,582,846,870
3065 County Assembly	308,612,771	316,783,724	625,396,495	200,000,000	825,396,495
3066 Trade, and Cooperatives	43,265,810	48,280,339	91,546,149	209,700,000	301,246,149
3067 Social Services & Talent Management	42,541,441	71,296,266	113,837,707	176,707,106	290,544,813
3068 Executive Services	74,462,091	74,240,300	148,702,391	-	148,702,391
3069 Education	640,808,810	658,081,561	1,298,890,371	313,234,000	1,612,124,371
3070 Water Services	55,922,129	75,625,283	131,547,412	312,831,973	444,379,385
3071 Roads and Public Works	62,413,437	75,780,553	138,193,990	778,610,553	916,804,543
3072 Tourism and ICT	27,667,865	35,922,861	63,590,726	32,000,000	95,590,726
3073 County Public Service Board	35,850,876	65,355,000	101,205,876	-	101,205,876
3074 Public Service and Administration	201,176,390	93,317,435	294,493,825	21,000,000	315,493,825
3075 Kwale Municipality	4,708,771	20,500,000	25,208,771	56,000,000	81,208,771
3076 Diani Municipality	4,708,771	20,500,000	25,208,771	58,188,684	83,397,455
3077 County Attorney	12,446,950	47,884,258	60,331,208	-	60,331,208
3078 Lungalunga Municipality	1,598,227	10,672,910	12,271,137	28,160,000	40,431,137
3079 Kinango Municipality	1,598,227	10,672,910	12,271,137	22,400,000	34,671,137
3080 Promotive and Preventive Health Services		83,984,185	83,984,185	216,115,889	300,100,074
GRAND TOTALS	3,722,142,380	2,977,192,473	6,699,334,853	3,010,433,655	9,709,768,508
PERCENTAGE			69.00	31.00	

Source: Kwale County Treasury

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4.4.2 Development Ceilings

183. The allocation of the development budget for the FY 2025/26 is guided by the strategic objectives articulated in the CIDP 2023-2027 which are aligned to Governor's vision and manifesto. The strategic objectives are (i) To increase sustainable agriculture production, value addition and market access for targeted value chains; (ii) To enhance access to quality and affordable healthcare services; (iii) To improve urban and rural infrastructural development for rapid socio economic transformation ; (iv) To enhance education for the Kwale children and the youth to create a pool of human working capital; (v) To enhance empowerment of the youth and women through acquiring of County procurement opportunities . Another consideration will be to ensure adequate funding for the phased on going projects to guarantee their completion before the end term of CIDP III.

The tabulated projected budgetary allocations for FY 2025/26 and the medium term are as follows;

TABLE 4-4: SUMMARY BUDGET ALLOCATIONS FOR THE FY2024/25-2027/ 2028 (KSHS.)

TOTAL EXPENDITURE CEILINGS FY 2024/2024- FY2027/2028					
VOTE	SECTOR	PROJECTIONS			
		Ceiling FY 2024/2025	Ceiling FY 2025/26	FY 2026/27	FY 2027/28
3061	FINANCE AND ECONOMIC PLANNING	685,582,820	802,501,304	882,751,434	971,026,578
3062	AGRICULTURE, LIVESTOCK AND FISHERIES	524,283,455	347,348,238	382,083,062	420,291,368
3063	ENVIRONMENT AND NATURAL RESOURCES	481,796,669	325,443,739	357,988,113	393,786,925
3064	CURATIVE HEALTH SERVICES	2,461,273,635	2,582,846,870	2,841,131,557	3,125,244,713
3065	COUNTY ASSEMBLY	909,712,409	825,396,495	907,936,145	998,729,759
3066	TRADE, AND COOPERATIVE DEVELOPMENT	717,477,496	301,246,149	331,370,764	364,507,840
3067	SOCIAL SERVICES AND TALENT MANAGEMENT	292,223,109	290,544,813	319,599,295	351,559,224
3068	EXECUTIVE SERVICES	150,121,336	148,702,391	163,572,630	179,929,893
3069	EDUCATION	1,643,660,344	1,612,124,371	1,773,336,808	1,950,670,489
3070	WATER SERVICES	1,671,050,843	444,379,385	488,817,323	537,699,056
3071	ROADS AND PUBLIC WORKS	1,192,094,389	916,804,543	1,008,484,997	1,109,333,497
3072	TOURISM AND ICT	93,290,258	95,590,726	105,149,798	115,664,778
3073	COUNTY PUBLIC SERVICE BOARD	65,765,573	101,205,876	111,326,464	122,459,110
3074	PUBLIC SERVICE AND ADMINISTRATION	293,548,663	315,493,825	347,043,208	381,747,528
3075	KWALE MUNICIPALITY	77,529,486	81,208,771	89,329,648	98,262,613
3076	DIANI MUNICIPALITY	163,292,508	83,397,455	91,737,201	100,910,921
3077	OFFICE OF THE COUNTY ATTORNEY	60,504,758	60,331,208	66,364,329	73,000,762
3078	LUNGALUNGA MUNICIPALITY	66,683,457	40,431,137	44,474,251	48,921,676
3079	KINANGO MUNICIPALITY	66,962,359	34,671,137	38,138,251	41,952,076

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3080	PREVENTIVE AND PROMOTIVE HEALTHCARE SERVICES	268,038,571	300,100,074	330,110,081	363,121,090
GRAND TOTAL		11,884,892,138	9,709,768,508	10,680,745,359	11,748,819,895

Source: The County Treasury

4.5 Sector Priorities

184. The government in medium term will strengthen sector working groups to conceptualize projects and programmes towards economic transformation. The following table provides breakdown on ceilings per Sector, it below provides the projected baseline ceilings for FY 2024/2025 and the Medium-Term, Classified as by sector. The CFSP sector ceilings were enhanced on account of additional programmes, completion of On-going projects and additional expenditures tied to the county revenue Envelope.

Table 4-5: Sectoral Ceilings for FY 2024/2025- FY 2027/2028

SECTOR		Ceiling	Ceiling FY 2025/26	PROJECTIONS	
		FY 2024/2025		FY 2026/27	FY 2027/28
AGRICULTURE, RURAL AND URBAN DEVELOPMENT	TOTAL	1,336,480,162	912,500,478	1,003,750,526	1,104,125,578
Agriculture, Livestock and Fisheries	Sub Total	569,651,133	347,348,238	382,083,062	420,291,368
Environment and Natural Resources Management	Sub Total	392,361,219	325,443,739	357,988,113	393,786,925
Kwale Municipality	Sub Total	77,529,486	81,208,771	89,329,648	98,262,613
Diani Municipality	Sub Total	163,292,508	83,397,455	91,737,201	100,910,921
Kinango Municipality	Sub Total	66,962,359	34,671,137	38,138,251	41,952,076
Lungalunga Municipality	Sub Total	66,683,457	40,431,137	44,474,251	48,921,676
ENERGY, INFRASTRUCTURE AND ICT	TOTAL	1,192,094,389	916,804,543	1,008,484,997	1,109,333,497
Roads and Public Works	Sub Total	1,192,094,389	916,804,543	1,008,484,997	1,109,333,497
GENERAL ECONOMIC, COMMERCIAL AND LABOUR AFFAIRS	TOTAL	810,767,754	396,836,875	436,520,563	480,172,619
Trade, Investment and cooperative development	Sub Total	717,477,496	301,246,149	331,370,764	364,507,840
Tourism and ICT	Sub Total	93,290,258	95,590,726	105,149,798	115,664,778
HEALTH SERVICES	TOTAL	2,729,312,206	2,882,946,944	3,171,241,638	3,488,365,802
EDUCATION	TOTAL	1,643,660,344	1,612,124,371	1,773,336,808	1,950,670,489
PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS	TOTAL	2,165,303,331	2,253,631,099	2,478,994,209	2,726,893,630
County Assembly	Sub Total	909,712,409	825,396,495	907,936,145	998,729,759
County Executive Services	Sub Total	150,121,336	148,702,391	163,572,630	179,929,893
Public Service and Administration	Sub Total	293,548,663	315,493,825	347,043,208	381,747,528
Finance and Economic planning	Sub Total	685,650,592	802,501,304	882,751,434	971,026,578

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County Public Service Board	Sub Total	65,765,573	101,205,876	111,326,464	122,459,110
Office of the County Attorney	Sub Total	60,504,758	60,331,208	66,364,329	73,000,762
SOCIAL SERVICES AND TALENT MANAGEMENT	TOTAL	292,223,109	290,544,813	319,599,295	351,559,224
WATER SERVICES	TOTAL	1,715,050,843	444,379,385	488,817,323	537,699,056
GRAND TOTAL		11,884,892,138	9,709,768,508	10,680,745,359	11,748,819,895

Source: The Kwale County Treasury

The county recurrent expenditure ceilings for each sector are as shown below;

TABLE 4-6: SUMMARY OF RECURRENT EXPENDITURE ALLOCATIONS FOR THE MTEF FY 2024/25-2027/28 BY SECTOR

SECTOR		FY 2024/2025 Printed Estimates	Ceiling FY 2025/26	PROJECTIONS	
				FY 2026/27	FY 2027/28
AGRICULTURE, RURAL AND URBAN DEVELOPMENT	TOTAL	342,779,831	419,966,344	461,962,978	508,159,276
Agriculture, Livestock and Fisheries	Sub Total	200,268,303	231,498,238	254,648,062	280,112,868
Environment and Natural Resources Management	Sub Total	115,543,718	113,508,289	124,859,118	137,345,030
Kwale Municipality	Sub Total	7,529,486	25,208,771	27,729,648	30,502,613
Diani Municipality	Sub Total	10,792,508	25,208,771	27,729,648	30,502,613
Kinango Municipality	Sub Total	4,462,359	12,271,137	13,498,251	14,848,076
Lungalunga Municipality	Sub Total	4,183,457	12,271,137	13,498,251	14,848,076
ENERGY, INFRASTRUCTURE AND ICT	TOTAL	100,193,990	138,193,990	152,013,389	167,214,728
Roads and Public Works	Sub Total	100,193,990	138,193,990	152,013,389	167,214,728
GENERAL ECONOMIC, COMMERCIAL AND LABOUR AFFAIRS	TOTAL	162,067,754	155,136,875	170,650,563	187,715,619
Trade, Investment and cooperative development	Sub Total	101,277,496	91,546,149	100,700,764	110,770,840
Tourism and ICT	Sub Total	60,790,258	63,590,726	69,949,798	76,944,778
HEALTH SERVICES	TOTAL	2,379,549,133	2,419,131,055	2,661,044,161	2,927,148,577
EDUCATION	TOTAL	1,200,263,387	1,298,890,371	1,428,779,408	1,571,657,349
PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS	TOTAL	1,903,207,121	2,022,631,099	2,050,735,320	2,150,209,776

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County Assembly	Sub Total	667,712,409	625,396,495	701,098,030	736,152,931
County Executive Services	Sub Total	150,121,336	148,702,391	177,577,403	186,456,273
Public Service and Administration	Sub Total	273,452,453	294,493,825	287,125,075	301,481,329
Finance and Economic planning	Sub Total	685,650,592	792,501,304	687,908,121	722,303,527
County Public Service Board	Sub Total	65,765,573	101,205,876	74,534,314	78,261,030
Office of the County Attorney	Sub Total	60,504,758	60,331,208	122,492,377	125,554,686
SOCIAL SERVICES AND TALENT MANAGEMENT	TOTAL	101,223,109	113,837,707	125,221,478	137,743,626
WATER SERVICES	TOTAL	78,410,338	131,547,412	144,702,153	159,172,368
GRAND TOTAL		6,267,694,663	6,699,334,853	7,195,109,449	7,809,021,318

Source: The Kwale County Treasury

Development expenditure ceilings for each sector are as shown in the table below;

SECTOR		FY 2024/2025 Estimates	Ceiling FY 2025/2026	PROJECTIONS	
				FY 2026/2027	FY 2027/2028
AGRICULTURE, RURAL AND URBAN DEVELOPMENT	TOTAL	993,700,331	492,534,134	541,787,547	595,966,302
Agriculture, Livestock and Fisheries	Sub Total	369,382,830	115,850,000	127,435,000	140,178,500
Environment and Natural Resources Management	Sub Total	276,817,501	211,935,450	233,128,995	256,441,895
Kwale Municipality	Sub Total	70,000,000	56,000,000	61,600,000	67,760,000
Diani Municipality	Sub Total	152,500,000	58,188,684	64,007,552	70,408,308
Kinango Municipality	Sub Total	62,500,000	22,400,000	24,640,000	27,104,000
Lungalunga Municipality	Sub Total	62,500,000	28,160,000	30,976,000	34,073,600
ENERGY, INFRASTRUCTURE AND ICT	TOTAL	1,091,900,399	778,610,553	856,471,608	942,118,769
Roads and Public Works	Sub Total	1,091,900,399	778,610,553	856,471,608	942,118,769
GENERAL ECONOMIC, COMMERCIAL AND LABOUR AFFAIRS	TOTAL	648,700,000	241,700,000	265,870,000	292,457,000
Trade, Investment and cooperative development	Sub Total	616,200,000	209,700,000	230,670,000	253,737,000
Tourism and ICT	Sub Total	32,500,000	32,000,000	35,200,000	38,720,000
HEALTH SERVICES	TOTAL	349,763,073	463,815,889	510,197,478	561,217,226

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EDUCATION	TOTAL	443,396,957	313,234,000	344,557,400	379,013,140
PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS	TOTAL	262,096,210	231,000,000	254,100,000	279,510,000
County Assembly	Sub Total	242,000,000	200,000,000	220,000,000	242,000,000
County Executive Services	Sub Total	0	0	0	0
Public Service and Administration	Sub Total	20,096,210	21,000,000	23,100,000	25,410,000
Finance and Economic planning	Sub Total	0	10,000,000	11,000,000	12,100,000
County Public Service Board	Sub Total	0	0	0	0
Office of the County Attorney	Sub Total	0	0	0	0
SOCIAL SERVICES AND TALENT MANAGEMENT	TOTAL	191,000,000	176,707,106	194,377,817	213,815,598
WATER SERVICES	TOTAL	1,636,640,505	312,831,973	344,115,170	378,526,687
GRAND TOTAL	TOTAL	5,617,197,475	3,010,433,655	3,311,477,021	3,642,624,723

Source: *The County Treasury*

4.6 Details of Sector Priorities

Agriculture Rural and Urban Development (ARUD) sector

185. The ARUD sector is the backbone of the county economy, as it's a major player in the delivery of county development agenda, as envisaged in the CIDP 2023-2027, the governor's manifesto, the Kenya vision 2030 and the sustainable development goals (SDGs) etc. Efforts to modernize and improve agricultural practices in the county through the adoption of modern farming techniques, irrigation systems, and the use of improved seeds and fertilizers will enhance productivity and increase yields hence enhanced household income and economic growth.

186. The municipalities have improved the urban infrastructure through erection of floodlights in strategic areas, cabro-paving of high-end roads in urban areas and improvement of waste disposal methods. In the MTEF period 2025/26-2027/28, the sector will undertake the following; Promotion of micro-irrigation, agro-processing and extension services, reduce post-harvest losses, strengthen extension services, Improve livestock breeds and enhance marine fisheries development. The sector will also enhance agricultural productivity for food security and nutrition through provision of mechanization services, provision of certified seeds, fertilizers and other farm

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inputs. Other Programmes to be prioritized in this sector include cabro-paving of beach access roads, land banking for establishment of public cemeteries in urban centers, street lighting and spatial planning. The sector is projected to spend Kshs. **912.5** million, Kshs. **1,003.75** million And Kshs. **1,104.12** million In the FY 2025/26, FY 2026/27 and FY 2027/28 respectively to implement these programmes.

Energy, Infrastructure and ICT

187. The sector consists of the department of roads and public works. The sector emerges pivotal force, strategically propelling the socio-economic progress within the county. It also acts as a driver and an enabler to the other sectors of the county economy. In the medium term, the sector will focus on: Improving road network connectivity through upgrading, rehabilitation and maintenance of the county road network, supporting the rural and urban electrification through the REREC Matching Grant projects, and Continuous maintenance of energy assets across the county. To implement these programmes during the medium term the sector has been allocated Kshs. **916.8** million, Kshs **1,008.48** million and Kshs. **1109.33** million respectively.

General Economic and Commercial Affairs (GECA) sector

188. The GECA sector comprises of two subsectors namely: department of Trade, Investment and Cooperative development as well as the department of Tourism and ICT. In the MTEF 2024/25-2026/27 period, this sector will implement high impact programmes geared towards harnessing wealth creation, increase employment opportunities reduce poverty and foster socio-economic growth. To achieve these objectives, the sector will implement the following: increase the market centers by **50%**, increasing the number of sustainable business by **20%**, promotion of Jua-Kali industry, investment promotion through profiling of investment sites, investment leads, development of county policies that will enhance development of sustainable tourism, to develop destination Kwale to be clean, safe and secure destination etc. In the FY 2025/26-2027/28 plan period, the sector has been allocated Kshs. **396.83** million, Kshs. **436.52** million and Kshs. **480.17** million respectively in the subsequent years.

Health sector

189. This sector is an important contributor to the county economic growth through ensuring that all Kwale citizens are productive and live a healthy life. Kenya constitution 2010 identifies health as an important element while the Vision 2030, the MTP IV recognizes provision of equitable,

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accessible and affordable healthcare of the highest attainable standards to all Kenyans. Major achievement realized during the FY 2022/23-2024/25 plan periods includes: **99%** of all pregnant mothers in Kwale attended at least one antenatal care services (ANC) and **72%** attended at least **4** ANC services which is higher than the national percentage of **98%** and **66%** respectively. Key priorities for the FY 2025/26-2027/28 MTEF period will include: Renovation of county health facilities, Construction of laboratories, construction staff houses, purchase and Installation of electronic medical health records system at MCRH, Construction of ICU/RENAL units etc. To undertake these programmes, the sector will require Kshs. **2,288.95** million, Kshs. **3,171.24** million and ksh.**3, 488.37** million for FY 2025/26-2027/28.

Education Sector

190. The county education sector consists of three subsectors namely, Early childhood education (ECDE), Technical and vocational & training and Bursary and scholarship programmes. The sector is a critical player in promoting political social and economic development through education and training to create a knowledge-based economy.

Programmes earmarked for Implementation during the FY 2025/26 budget will include the following key interventions; Construction and equipping of ECDE Centres, Fencing and construction of hostels in VTCs, Construction of twin workshops and provision of adequate vocational training tools and equipment in VTCs, Provision of Bursary and Subsidized VTC Support Grant To accomplish these objectives, the sector will require Kshs. **1,612.12** million, Kshs. **1,773.34** million and Kshs. **1,950.67** million in the financial years 2025/26, 2026/27 and 2027/28 respectively.

Public Administration and international Relations sector (PAIR)

191. PAIR consists of the following departments: The county assembly, the county executive services, public service and administration, Finance and economic planning and the county public service board. During the implementation of the FY 2022/23 to 2024/25 budgets, the sector achieved the following: Successfully held public participation forums at the word level in accordance with the provisions of article 201(a) of the constitution of Kenya and section 125(2) of the PFMA, 2012, prepared county policy documents such as the county Annual Development Plan (CADP), County Budget Review and Outlook Paper (C-BROP), County Fiscal Strategy paper (C-FSP), County Annual Progress Report (C-APR) and the budget estimates. In the FY 2025/26 and

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the medium term framework, the sector is planning to pursue the following Infrastructural development programmes:- Establish valuation roll & Monitoring and Evaluation Systems and the completion of the Governor's residence among others To implement the above programs, the sector has been allocated Kshs. **2,253.63** million, Ksh.**2,478.99** million and kshs.**2,726.89** in the FY 2025/26, 2026/27 and 2027/28 respectively.

Water services

192. The sector contributes directly and in-directly county's economy through revenue generation, wealth creation and job creation. During FY 2025/26 and the medium term, key outputs for the sector include: Extension of of water pipelines, drilling of boreholes across the county, Construction and rehabilitation dams/water pans and construction of medium sized dams. To achieve the above programmes, the sector require Kshs. **444.38** million, Kshs. **488.38** million and Kshs. **537.76** million in the FY 2025/26, FY 2026/27 and FY 2027/28 respectively.

Social Protection, Culture and Recreation Sector

193. The social protection, culture and recreation sector is mainly composed of the department of social services and talent management. The sector has the sole role of providing and promoting appropriate social and cultural services, community empowerment and nurture & develop talents to foster sustainable development.

Major programmes to be implemented during the plan period FY 2025/26 include: Upgrading of Kwale stadium and construction of the Volleyball, netball and basketball pitches, support to the football teams among others. To undertake the above programmes, the sector has an allocation of Kshs. **290.54million**, Kshs. **319.6** Million and Kshs. **351.56** Million, during the FY 2025/26, FY 2026/27 and FY 2027/28 respectively.

CHAPTER FIVE: CONCLUSION AND NEXT STEPS

194. This 2025 County Fiscal Strategy Paper will inform the county budget for FY 2024/2025. The sector ceilings contained in this 2025 CFSP once firmed up by the County Assembly will form a basis for the FY 2025/2026 budget and the medium term. This will guide the county departments and agencies in preparing their budgets for FY 2025/2026. Departments are advised to adhere to the ceilings in preparation of their budgets.

195. Section 117 of the Public Finance Management Act 2012 requires that county governments seek and take into consideration views of the public, the Commission on Revenue Allocation and other interested persons or groups. Consequently, comments from the Commission on Revenue Allocation, the Controller of Budget, the civil society organizations, the non-state actors of the County Budget and Economic Forum, the public and other interest groups will be considered when finalizing the preparation of this 2025 CFSP.

196. The county government will continue pursuing a fiscal policy that will be sustainable while ensuring the county's strategic priority programs and policies are implemented to accelerate growth and attain rapid county socio-economic transformation. Prudent use of the scarce public financial resources will be emphasized by rationalizing expenditures on non-essential goods and services and save the resources to adequately fund the county government priorities.

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