COUNTY GOVERNMENT OF KWALE

COUNTY TREASURY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER, 2026

September 2026

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FOREWORD

The 2026 Kwale County Budget Review and Outlook Paper (C-BROP) has been prepared in accordance with the requirements of section 118 of the Public Finance Management Act 2012. This policy document reviews the county government's fiscal performance for the financial year FY2025/2026, assessing adherence to the principles of fiscal responsibility and the financial objectives contained in the Public Finance Management Act (PFMA) 2012. It also gives updates on the macroeconomic environment and fiscal projections for FY2027/2028, including revenue and expenditure forecasts as well as provisional sector expenditure ceilings.

This 2026 C-BROP is prepared against a backdrop of declined global economic growth. Global growth is projected to decline from 3.5 percent in 2025 to an estimated 3.0 percent in 2026. This subdued growth is on account of the adverse effects of the conflict in the Middle East that has increased risks to global growth through higher energy prices, elevated inflationary pressures, supply chain disruptions, and, increased geopolitical uncertainty, further weighed down the growth prospects. Domestically, Kenya's economic performance has remained resilient in 2026 despite the challenging global environment. The average Kenya's economic growth over the period 2022 – 2025 was 5 percent. Real GDP growth accelerated to 5.3 percent in the first quarter of 2026 from 4.9 percent in the corresponding period in 2025, mainly due to sound macroeconomic management, increased structural reforms, and, increasing economic diversification which further strengthened the economy's capacity to withstand adverse shocks.

The National Government has initiated policy measures to counter these adverse shocks and has begun structural reforms under the Bottom-Up Economic Transformation Agenda (BETA), as outlined in the Fourth Medium Term Plan. BETA aims to reduce the cost of living, eliminate hunger, create job opportunities, expand the tax base, and improve foreign exchange reserves and promote inclusive growth through a value chain approach. To achieve these goals, particular attention will be given to five key pillars with significant potential to drive and sustain economic recovery and enhance household welfare. These include: -Universal Health Care: Agricultural Transformation and Inclusive Growth; Micro, Small and Medium Enterprise (MSME) Economy; Housing and Settlement; and the Digital Superhighway and Creative Industry. The growth outlook for 2025 will be bolstered by the ongoing BETA interventions.

To complement the efforts of the National Government under the BETA initiatives, the County Integrated Development Plan 2023-2027 has been aligned to the achievement of the national development priorities. The County Government has;-(i) invested heavily in Health to guarantee the achievement of universal health coverage;(ii) empowered farmers through the provision of farm inputs including provision of fertilizers, certified seeds and seedlings and upscaling of micro irrigation to minimize the over-reliance on rain fed agriculture;(iii) initiated a youth and women empowerment programme through mobilization of women and youth into groups to form companies to secure county government procurement opportunities; (iv) fast track industrial growth through the construction of the Aggregated Industrial Parks in Mwananyamala, Dzombo ward Lungalunga sub county and the establishment of special economic zone and (v) strengthening governance in public finance management to ensure prudent management of resources and allocative efficiency to ensure priority programmes are adequately funded.

The budget execution for the review period FY2025/2026 was quite satisfactory. However, uneven release of funds from the National Exchequer, coupled with underperformance in Own Source Revenue (OSR) and the health sector's Facility Improvement Fund (FIF) continued to affect the implementation of county programmes and projects. Despite these shortcomings, the County Government of Kwale received Kshs15.8 billion, out of the approved revised target of Kshs16.7 billion, comprising of Kshs9.1 billion from equitable share, OSR amounting to Kshs367.7 million, and FIF at Kshs423.6 million. During the same period, actual receipts from conditional grants and loans was Kshs2.5 billion and income brought forward of Kshs3.4 billion.

During the same period, the County Government recorded a total expenditure amounting to Kshs11.8 billion against a target of Ksh16.7 billion. This represents a budget execution rate of 70.4 percent. Expenditure on recurrent items amounted to Kshs7.3 billion against a revised budget of Kshs8.4 billion, implying an absorption capacity of 86.1 percent. The underperformance in expenditure on recurrent budget could be attributed to the below target expenditure under operations and maintenance.

Development expenditure in the same period amounted to Kshs4.5 billion against a target of Kshs 8.3 billion. This implies a development budget execution rate of 54 percent. The shortfall in

performance on development expenditure was on account of uneven disbursement of funds for development projects, constraining the planning and implementation of the development budget.

This 2026 CBROP provides a basis for the revision of the medium-term expenditure framework budget for financial year 2026/2027.The County Government completed the financial year 2025/2026 with huge pending bills and commitments which must be verified and confirmed for inclusion in the FY 2026/2027 budget. This will enable service providers to be paid and align the scarce resources to the County Government's priorities. The FY 2026/2027 budget will face challenges in its implementation following the roll out of Electronic Government Procurement(e-GP) system. The e-GP system faces capacity and skill gaps on the part of county employees and local suppliers, technical glitches and system downtime and integration with the Integrated Financial Information Management System (IFMIS). There is a likelihood of severe operational hurdles leading to budget execution delays and cash crunches. The County Government will monitor these risks and institute mitigation measures to counter them.



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COUNTY EXECUTIVE COMMITTEE MEMBER,
EXECUTIVE SERVICES, FINANCE AND ECONOMIC PLANNING

ACKNOWLEDGEMENT

The County Budget Review and Outlook Paper (CBROP) preparation is based on the requirements of section 118 of the Public Finance Management Act 2012.This paper serves three purposes; (i) it reviews the county fiscal performance for the FY 2025/2026;(ii) it gives an update of the recent economic developments and the outlook and (iii) it outlines the broad fiscal parameters for the FY 2027/2028 budget and the medium term.

The preparation of the 2026 Kwale County Budget Review and Outlook Paper (CBROP) has been through the collaborative effort of a number of players. We would like to extend our heartfelt gratitude to all those who contributed to the successful production of this paper. First and foremost, we thank the County Executive Committee for their unwavering support and guidance throughout the process. We are grateful to the departments for their cooperation and support in availing information that was used to prepare this paper. Special thanks go to the County Treasury divisions of accounting services and revenue mobilization for the useful reports on county fiscal performance which formed a greater part of this paper.

Finally,I would like to appreciate the County Director in charge of Economic Planning and Budgeting and his team. The team worked tirelessly and with great dedication to ensure timely preparation and finalization of this paper. I would like to express my sincere appreciation for the great effort made in content development, collecting and collating information, analysis, final drafting, editing and final preparation of this paper. It is out of their efforts that we are presenting a high-quality paper within the statutory deadline.



CPA ALEX ONDUKO THOMAS
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ABBREVIATIONS AND ACRONYMS

ASDSP	Agricultural Sector Development Support Programme
BETA	Bottom – Up Economic Transformation Agenda
BER	Budget Execution Rate
BRIICS	Brazil Russia India China and South Africa
CADP	County Annual Development Plan
CARA	County Allocation of Revenue Act
CARB	County Allocation of Revenue Bill
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CBROP	County Budget Review and Outlook Paper
CRF	County Revenue Fund
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
DANIDA	Danish International Development Agency
DoRA	Division of Revenue Act
DoRB	Division of Revenue Bill
EAC	East African Community
EMDEs	Emerging Market and Developing Economies
EU	European Union
EPZ	Export Processing Zone
FLLOCA	Financing Locally Led Climate Action
FY	Financial Year
GCP	Gross County Product

GDP	Gross Domestic Product
GVA	Gross Value Added
ICT	Information Communication Technology
IMF	International Monetary Fund
KBRR	Kenya Banks Reference Rate
KNBS	Kenya National Bureau of Statistics
KUSP	Kenya Urban Support Programme
MPC	Monetary Policy Committee
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
M3	Money Supply
NDA	Net Domestic Assets
NFA	Net Foreign Assets
OSR	Own Source Revenue
PFMA	Public Finance Management Act
PFMR	Public Finance Management Regulations
PWDs	Persons with Disabilities
SGR	Standard Gauge Railway
UDG	Urban Development Grant
UIG	Urban Institutional Grant
VAT	Value Added Tax
WEO	World Economic Outlook
WSDP	Water and Sanitation Development Project

LEGAL BASIS FOR THE PREPARATION OF THE COUNTY BUDGET REVIEW AND OUTLOOK PAPER

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

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

a) Actual fiscal performance in the previous financial year compared to budget appropriation for that year;

b) Updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper

c) Information on how actual financial performance for the previous financial year may have affected compliance with fiscal financial responsibility principles or the financial objectives in the latest County Fiscal Strategy Paper;

d) The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.

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

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

a) arrange for the Paper to be laid before the County Assembly

b) as soon as practicable after having done so, publish and publicize the Paper

EXECUTIVE SUMMARY

The 2026 Kwale C – BROP has been prepared in line with the requirements of Section 118 of the PFM Act, 2012. This policy document reviews the county government's financial performance for FY2025/26, assessing adherence to fiscal responsibility principles and the financial goals outlined in the PFM Act 2012. It also provides updates on the macroeconomic context and projections for FY2027/2028, including the provisional sector ceilings.

This 2026 C-BROP is prepared against a backdrop of declined global economic growth. Global growth is projected to decline from 3.5 percent in 2025 to an estimated 3.0 percent in 2026. This subdued growth is on account of the adverse effects of the conflict in the Middle East that has increased risks to global growth through higher energy prices, elevated inflationary pressures, supply chain disruptions, and, increased geopolitical uncertainty, further weighed down the growth prospects. Domestically, Kenya's economic performance has remained resilient in 2026 despite the challenging global environment. The average Kenya's economic growth over the period 2022 – 2025 was 5 percent. Real GDP growth accelerated to 5.3 percent in the first quarter of 2026 from 4.9 percent in the corresponding period in 2025, mainly due to sound macroeconomic management, increased structural reforms, and, increasing economic diversification which further strengthened the economy's capacity to withstand adverse shocks.

During the period under review, the County Government of Kwale had a revised approved budget amounting to **Kshs16,710,179,651**, indicating a 12 percent increase from 2024/2025 financial year's approved budget of Kshs14,876,063,604. Recurrent approved budget amounted to **Kshs8,447,835,122**, being 51 percent of the total revised approved budget for FY2025/2026, with development budget in the same period accounting for 49 percent at **Kshs8,262,344,529.** Personnel emoluments and operations and maintenance expenditure items accounted for 24 percent and 27 percent of the total approved budget respectively.

During the review period, the County Government of Kwale recorded total actual revenue, including Appropriations – in – Aid (AIA) of **Kshs15,750,283,805.00** against a target of Kshs16,710,179,651.00. This indicates a 94 percent performance of the annual target, with a

shortfall of Kshs959,895,845.00 due to underperformance in internal revenue sources and conditional grants and loans. Actual receipts from the National Government's equitable share amounted to **Kshs9,078,699,643.00**, conditional grants and loans **Kshs2,507,760,829.00** and **Kshs3,372,504,633.00** being balances brought forward from the previous financial period, FY2024/2025. During the same period, the county raised **Kshs791,318,702.00** from internal sources, comprising of Kshs367,738,514.00 and Kshs423,580,188.00 from County Own Source Revenue (OSR) and the Health sector's Facility Improvement Fund (FIF) respectively.

Comparative analysis reveal that, total actual revenue received in the period under review of Kshs15,750,283,805.00 represented a 6.33 percent improvement in revenues compared to Kshs14,812,383,922.00 realized in the previous period FY2024/2025. The actual equitable share disbursement in the period FY2025/2026 amounted to Kshs9,078,699,643.00 compared to Kshs8,625,411,603.00 received in the previous financial period, representing a 5.30 percent increase. The performance of conditional grants and loans improved significantly by 113.30 percent to Kshs2,507,760,829.00 in the review period against Kshs1,175,966,059.00 received in the period FY2024/2025. Similarly, there was an improvement in internal revenue collection during the review period. The own source revenue collection grew from Kshs292,877,699.00 in FY2024/2025 to Kshs367,738,514.00 in FY2025/2026. This indicates an expansion of 25.60 percent in OSR collection. On the other hand, the health sector's facility improvement fund recorded a significant increase of 65.60 percent of Kshs423,580,188.00 in FY2025/2026 compared to Kshs255,858,770.00 collected in the period FY2024/2025.

On the expenditure side, the County Government of Kwale spent **Kshs11,769,761,860.00** (including payments of commitments from previous financial year) against the revised target of Kshs16,710,179,651.00. This implies to aa overall budget execution rate of 70 percent, compared to an absorption rate of 68.44 percent posted in the previous financial period, FY2024/2025. The actual expenditure realized in the period FY2025/2026, further represented a 74.73 percent absorption capacity of the total funds received during the same period.

Recurrent expenditure amounted to **Kshs 7,277,099,784.00** against a revised target of Kshs8,447,835,122.00, translating into an absorption rate of **86 percent**. This indicates a marginal decline compared to a rate of 89.25 percent recorded in the previous period, FY2024/2025 where Kshs7,070,742,950.00 (including payments of commitments from previous financial year) was spent on recurrent items. The shortfall in recurrent expenditure (Kshs1,170,735,338.00) can be partly attributed to the underperformance in OSR (Kshs169,125,992.00), FIF (Kshs43,915,107), and, conditional grants and loans (Kshs626,668,541), which mostly are recurrent in nature.

Development expenditure, on the other hand, amounted to **Kshs4,492,662,076.00** against a revised target of Kshs8,262,344,529.00. This translates to an absorption rate of **54 percent** over the review period. Delayed disbursement and challenges relating to the tendering process continue to slow down the implementation of programmes and projects. However, this performance is an improvement of 44.50 percent compared to the previous year's of Kshs3,109,708,349.00 which was 44.72 percent of the revised target for the period FY2024/2025.The underperformance on development spending may be attributed to delays in the release of the equitable share of revenue and shortfalls in collection of internal sources of revenue, which has a negative effect on the implementation of county programmes and projects.

The departments that posted higher absorption rates are Water Services, Kinango Municipality, and, Lunga Lunga Municipality at **113 percent**, **99 percent,** and **90 percent,** respectively. However, in absolute terms, the Department of Water Services recorded the highest expenditure accounting for **31 percent** of the total county's actual development expenditure. Others were the departments of Roads and Public Works (**20%**), and the County Assembly and the Department of Education, each accounting for **8 percent.**

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CHAPTER ONE: INTRODUCTION

1.0 Overview

1. The County Budget Review and Outlook Paper (CBROP) 2026 is the fifth and last to be prepared under the third Generation County Integrated Development Plan 2023-2027. This 2026 CBROP is formulated pursuant to the provisions of the PFM 2012 and PFM (County Governments) Regulations 2015. It provides an assessment of the county's fiscal performance for the financial year 2025/2026.This coupled with the review of recent economic developments and updated macroeconomic outlook and fiscal projections will give the basis for preparation of supplementary estimates for FY2026/2027 and the focus for FY2027/2028 budget and the medium term. The paper aims at promoting the public's understanding of county government public finance management in line with article 201 of the Constitution of Kenya 2010 which emphasizes transparency and accountability in financial matters.

1.1 Objective of the 2026 County Budget Review and Outlook Paper

2. The primary purpose of preparing this 2026 C-BROP is to review the county fiscal performance for the financial year (FY) 2025/2026.The CBROP 2026 aims to provide an assessment of the County's financial performance for the FY 2025/2026, as well as an analysis of how such results affect the County's financial objectives as outlined in the County Fiscal Strategy Paper (CFSP) 2024 and the County fiscal responsibility principles as espoused in the PFM Act 2012. This information, coupled with the updated economic outlook, serves as the basis for revising the FY 2026/2027 approved budget, as well as other fiscal information necessary to guide subsequent budget and the medium-term spending plan.

3. This CBROP 2026 has highlighted the provisional sector expenditure ceilings for MTEF budget FY 2027/2028. The sector ceilings have been proposed on the basis of the medium-term macro-fiscal forecasts and estimated resource envelop shown in Section IV of this document. The sector ceilings will be firmed up once approved by the County Assembly in the CFSP 2027.The county government in developing the provisional sector ceilings has taken into consideration the crucial objective of adequately funding the development priorities in the next MTEF period to augment rapid socio- economic transformation.

4. The CBROP 2026 further aims to entrench linkages between policy, planning and budgeting. The CBROP will provide insights into the review of the 3rd Generation County Integrated

Development Plan (CIDP) 2023- 2027 and assist in evidence-based decision making when finalizing the County Annual Development Plan (CADP) FY 2027/2028 and the CFSP 2027. The CBROP 2026 will further provide the preliminary linkage between national development planning policy under the Medium-Term Plan (MTP) IV which is implementing the, the Bottom-Up Transformation Agenda (BETA) initiatives and the County Integrated Development Plan through the annual budget process. Performance Management can also use the findings in this CBROP 2026 to make better assessment and review and influence future decision making.

5. The CBROP 2026 has been categorized into four main sections: Section I introduces the paper, Section II reviews the fiscal performance in FY 2025/2026, and compliance with the fiscal responsibility principles; the recent economic developments and fiscal outlook are illustrated in Section III ; Section IV gives detailed resource allocation framework with projected sector budget ceilings and Section V concludes the paper and gives the next steps.

CHAPTER TWO: REVIEW OF COUNTY FISCAL PERFORMANCE FY2025 – 2026

2.0 Overview

6. This chapter highlights the Kwale County's fiscal performance for the previous financial period, FY2025/2026. It provides an in-depth analysis of performance of the county revenue and expenditure for the period ending 30th June, 2026. It also examines the effect of the county performance on the financial objectives highlighted in the most recent County Fiscal Strategy Paper (C – FSP), 2026 and the fiscal responsibility principles as envisaged in the Public Finance Management (PFM) Act, 2012.

7. During the period under review, the County Government of Kwale had a revised approved budget amounting to **Kshs 16,710,179,651**, indicating a 12 percent increase from 2024/2025 financial year's approved budget of Kshs 14,876,063,604. Recurrent approved budget amounted to **Kshs 8,447,835,122**, being 51 percent of the total revised approved budget for FY2025/2026, with development budget in the same period accounting for 49 percent at **Kshs 8,262,344,529.** Personnel emoluments and operations and maintenance expenditure items accounted for 24 percent and 27 percent of the total approved budget respectively.

8. The budget execution for the review period FY2025/2026 was quite satisfactory. However, uneven release of funds from the National Exchequer, coupled with underperformance in Own Source Revenue (OSR) and the health sector's Facility Improvement Fund (FIF) continued to affect the implementation of county programmes and projects. Despite these shortcomings, the County Government of Kwale received **Kshs15.8 billion,** out of the approved revised target of **Kshs 16.7 billion**, comprising of Kshs 9.1 billion from equitable share, OSR amounting to Kshs **367.7 million**, and FIF at **Kshs 423.6 million.** During the same period, actual receipts from conditional grants and loans was **Kshs 2.5 billion** and income brought forward of **Kshs 3.4 billion.**

9. During the same period, the County Government recorded a total expenditure amounting to **Kshs 11.8 billion** against a target of **Kshs 16.7 billion**. This represents a budget execution rate of **70.4 percent.** Expenditure on recurrent items amounted to **Kshs7.3 billion** against a revised budget **of Kshs 8.4 billion,** implying an absorption capacity of **86.1 percent.** The underperformance in

expenditure on recurrent budget could be attributed to the below target expenditure under operations and maintenance.

10. Development expenditure in the same period amounted to Kshs 4.5 billion against a target of Kshs 8.3 billion. This implies a development budget execution rate of 54 percent. The shortfall in performance on development expenditure was on account of uneven disbursement of funds for development projects, constraining the planning and implementation of the development budget.

2.1 Revenue Performance

11. The global economic growth is projected to decline from 3.5 percent in 2025 to an estimated 3.0 percent in 2026. This subdued growth is on account of the adverse effects of the conflict in the Middle East that has increased risks to global growth through higher energy prices, elevated inflationary pressures, supply chain disruptions, and, increased geopolitical uncertainty, further weighed down the growth prospects.

12. Domestically, Kenya's economic performance has remained resilient in 2026 despite the challenging global environment. The average Kenya's economic growth over the period 2022 – 2025 was 5 percent. Real GDP growth accelerated to 5.3 percent in the first quarter of 2026 from 4.9 percent in the corresponding period in 2025, mainly due to sound macroeconomic management, increased structural reforms, and, increasing economic diversification which further strengthened the economy's capacity to withstand adverse shocks.

13. During the review period, the County Government of Kwale recorded total actual revenue, including Appropriations – in – Aid (AIA) of **Kshs 15,750,283,805.00** against a target of Kshs16,710,179,651.00. This indicates a 94 percent performance of the annual target, with a shortfall of Kshs959,895,845.00 due to underperformance in internal revenue sources and conditional grants and loans. Actual receipts from the National Government's equitable share amounted to **Kshs 9,078,699,643.00**, conditional grants and loans **Kshs 2,507,760,829.00** and **Kshs 3,372,504,633.00** being balances brought forward from the previous financial period, FY2024/2025. During the same period, the county raised **Kshs 791,318,702.00** from internal

sources, comprising of Kshs367,738,514.00 and Kshs423,580,188.00 from County Own Source Revenue (OSR) and the Health sector's Facility Improvement Fund (FIF) respectively.

14. Comparative analysis reveal that, total actual revenue received in the period under review of Kshs15,750,283,805.00 represented a 6.33 percent improvement in revenues compared to Kshs14,812,383,922.00 realized in the previous period FY2024/2025. The actual equitable share disbursement in the period FY2025/2026 amounted to Kshs 9,078,699,643.00 compared to Kshs8,625,411,603.00 received in the previous financial period, representing a 5.30 percent increase. The performance of conditional grants and loans improved significantly by 113.30 percent to Kshs2,507,760,829.00 in the review period against Kshs1,175,966,059.00 received in the period FY2024/2025. Similarly, there was an improvement in internal revenue collection during the review period. The own source revenue collection grew from Kshs292,877,699.00 in FY2024/2025 to Kshs367,738,514.00 in FY2025/2026. This indicates an expansion of 25.60 percent in OSR collection. On the other hand, the health sector's facility improvement fund recorded a significant increase of 65.60 percent of Kshs 423,580,188.00 in FY2025/2026 compared to Kshs255,858,770.00 collected in the period FY2024/2025.

Table 1-1: Revenue Performance FY2025/2026

Source	**Annual CARA, 2025 Allocation-Kshs**	**Actual Funds received-Kshs**	**Variance**	**Actual Receipts as % of CARA Allocation**
Equitable Share of Revenue	9,078,699,643	9,078,699,643	-	100
Own Source Revenue	536,864,506	367,738,514	-169,125,992	68
Facility Improvement Fund (AIA)	467,495,295	423,580,188	- 43,915,107	91
Sub-Total	**10,083,059,444**	**9,870,018,344**	**-213,041,100**	**98**
Conditional Allocations from National Government				
Allocation for 0.5% of Housing Levy Fund to the County Rural and Urban Affordable Housing Committees	1,987,622	-	-1,987,622	-
Settlement of Doctors Salary Arrears for Health Workers	28,773,123	-	- 28,773,123	-
Community Health Promoters(CHPs) Project	52,140,000	-	- 52,140,000	-

Source	Annual CARA, 2025 Allocation-Kshs	Actual Funds received-Kshs	Variance	Actual Receipts as % of CARA Allocation
Aggregated Industrial Park Programme Grant- CGAAA 2025	75,263,158	75,263,158	-	100
Aggregated Industrial Park Programme Grant- July 2025	45,182,187	-	- 45,182,187	-
Road Maintenance Levy Fund	71,758,747	-	- 71,758,747	-
Allocation for 20% share of Mineral Royalties	1,166,507,886	1,166,507,886	-	100
Sub-Total	**1,441,612,723**	**1,241,771,044**	**-199,841,679**	**86**
Conditional Allocation from Development Partners Loans & Grants				
Primary Healthcare in Devolved Context (PHDC)-DANIDA	12,546,000	12,546,000	-	100
Kenya Devolution Support Programme (KDSPII)- Level 1 Institutional Grant	72,909,500	70,503,589	-2,405,911	97
Kenya Devolution Support Programme (KDSP II)- Level II Development	352,500,000	184,804,041	-167,695,959	52
National Agricultural Value Chain Development Project (NAVCDP)	231,250,000	229,437,822	-1,812,178	99
Water and Sanitation Development Project (WSDP)	450,000,000	342,000,000	-108,000,000	76
Kenya Water Sanitation and Hygiene(K-WASH) Programme	160,000,000	142,263,673	- 17,736,327	89
Kenya Informal Settlement Improvement Project KISIP II	130,822,492	15,834,973	-114,987,519	12
Financing Locally-Led Climate Action (FLLoCA)-Institutional Grant	11,000,000	11,000,000	-	100
Kenya Urban Support Program-Urban Institutional Grant UIG	35,000,000	26,000,000	- 9,000,000	74
Kenya Urban Support Program-Urban Development Grant UDG	95,951,655	94,262,310	- 1,689,345	98

Source	Annual CARA, 2025 Allocation-Kshs	Actual Funds received-Kshs	Variance	Actual Receipts as % of CARA Allocation
County Climate Change Resilient Investment(CCCRI)	140,837,000	137,337,377	- 3,499,623	98
Sub-Total	**1,692,816,647**	**1,265,989,785**	**-426,826,862**	**75**
Total Grants	**3,134,429,370**	**2,507,760,829**	**-626,668,541**	**80**
Special Purpose Account (SPA) Balances				
World Bank Loan for County Climate Institutional Support (CCRI) Grant	68,590,804		- 68,590,804	-
Kwale County Biashara Revolving Fund	51,595,400		- 51,595,400	-
Sub Total	**120,186,204**	**-**	**- 120,186,204**	**-**
Income Brought Forward	3,372,504,633	3,372,504,633	-	100
Sub-Total	**3,372,504,633**	**3,372,504,633**	**-**	**100**
Grand Total	**16,710,179,651**	**15,750,283,805**	**-959,895,845**	**94**

Source: Kwale County Treasury

Table 1-2: Comparison of Revenue Performance FY2024/2025 - FY2025/2026

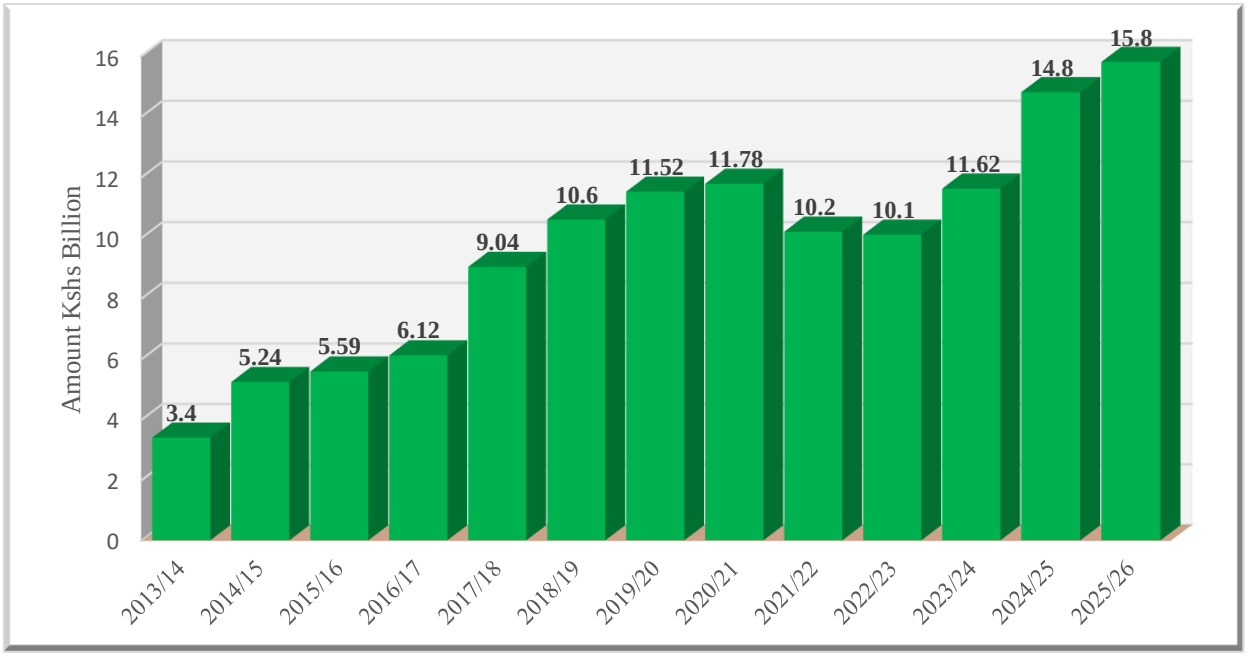
Source	Annual CARA, 2024 Allocation-Kshs	Actual Funds received-Kshs	Actual Receipts as a % of CARA Allocation	Annual CARA, 2025 Allocation-Kshs	Actual Funds received-Kshs	Actual Receipts as a % of CARA Allocation
Equitable Share of Revenue	8,625,411,603	9,312,139,711	108	9,078,699,643	9,078,699,643	100
County Own Source Revenue	350,000,000	292,877,699	84	536,864,506	367,738,514	68
Facility Improvement Fund (AIA)	300,000,000	255,858,770	85	467,495,295	423,580,188	91
Sub-Total	**9,275,411,603**	**9,860,876,180**	**106**	**10,083,059,444**	**9,870,018,344**	**98**
Conditional Allocations from National Government						
Allocation for 0.5% of Housing Levy Fund to the County Rural and Urban Affordable Housing Committees			-	1,987,622	-	-
Settlement of Doctors Salary Arrears for Health Workers	28,773,123	-	-	28,773,123	-	-
Roads Maintenance Fuel Levy Fund	-	71,758,747	-	71,758,747		-
Community Health Promoters (CHPs) Project	59,140,000	-	-	52,140,000		-
Kenya Devolution Support Programme (KDSP)- Level 1 Grant	37,500,000	-	-	72,909,500	70,503,589	97
Kenya Devolution Support Programme (KDSP II)- Level II Development	-	-	-	352,500,000	184,804,041	52

Source	Annual CARA, 2024 Allocation-Kshs	Actual Funds received-Kshs	Actual Receipts as a % of CARA Allocation	Annual CARA, 2025 Allocation-Kshs	Actual Funds received-Kshs	Actual Receipts as a % of CARA Allocation
Aggregated Industrial Park Programme Grant	250,000,000	174,736,842	70	120,445,345	75,263,158	62
Provision of Fertilizer Subsidy Programme	-	-	-	-	-	-
Allocation for Mining Royalties	-	-	-	1,166,507,886	1,166,507,886	100
Sub-Total	**375,413,123**	**246,495,589**	**66**	**1,867,022,223**	**1,497,078,674**	**80**
Conditional Allocation from Development Partners Loans & Grants						
DANIDA Grant to Supplement Financing of County Health facilities	39,553,000	8,994,375	23	12,546,000	12,546,000	100
National Agricultural Value Chain Development Project NAVCDP)	156,217,103	63,957,449	41	231,250,000	229,437,822	99
SWEDEN-Kenya Agricultural Business Development Project (KABDP)-SIDA Grant	10,918,919	-	0	-	-	-
Kenya Informal Settlement Improvement Project KISIP II	120,188,971	80,188,971	67	130,822,492	15,834,973	12
Urban development Grant (UDG)	81,159,202	32,309,300	40	95,951,655	94,262,310	98
Urban Institutional Grant (UIG)	35,000,000	-	0	35,000,000	26,000,000	74
Financing Locally-Led Climate Action (FLLoCA)	-	14,083,749	0	11,000,000	11,000,000	100
United Nations Fund for Population Activities (UNFPA)	6,660,000	12,500,577	188	-	-	0
County Climate Change Resilient Investment (CCCRI)	-	-	-	140,837,000	137,337,377	98
Kenya WaterSaniation and Hygiene(K-WASH) Programme	-	-	-	160,000,000	142,263,673	89
Water and Sanitation Development Project	1,000,000,000	717,436,049	72	450,000,000	342,000,000	76
Sub-Total	**1,449,697,195**	**929,470,470**	**64**	**1,267,407,147**	**1,010,682,155**	**80**
Total Grants	**1,825,110,318**	**1,175,966,059**	**64**	**3,134,429,370**	**2,507,760,829**	**80**
Special Purpose Accounts						
World Bank Loan for County Climate Institutional Support (CCRI) Grant	-	-	-	68,590,804	-	-
Kwale County Biashara Revolving Fund	-	-	-	51,595,400	-	-
Sub Total	**-**	**-**	**-**	**120,186,204**	**-**	**-**
Income Brought Forward	3,775,541,683	3,775,541,683	100	3,372,504,633	3,372,504,633	100
Sub-Total	**3,775,541,683**	**3,775,541,683**	**100**	**3,372,504,633**	**3,372,504,633**	**100**
Grand Total	**14,876,063,604**	**14,812,383,922**	**100**	**16,710,179,651**	**15,750,283,805**	**94**

Source: *County Treasury*

15. The figure below highlights the trend analysis of the actual funds received from 2013/2014 to 2025/2026. It reveals a steady historical increase in revenue from Kshs 3.4 billion in 2013/2014 to about Kshs 15.8 billion in the review FY2025/2026.

Figure 1-1: Trend Analysis of Actual Funds Received FY2013/14 – FY2025/26



Source: Kwale County Treasury

2.1.1 Details on Performance of Revenue by Category

2.1.1.1 Performance of Equitable Share

16. During the period under review, the County Government of Kwale recorded an improved performance in the actual transfers from the National Government allocation of the equitable share. In this period, a total of Kshs9,078,699,643.00, representing a 100 percent disbursement against the approved county's allocation as contained in the County Allocation of Revenue Act (CARA, 2025). This is an improvement compared to the previous financial years, where the county received some disbursements after the lapse of the financial period under review. Quarterly disbursement schedules indicate that the biggest disbursement was made in the third quarter of the review period amounting to Kshs2,995,970,881.00, being 33 percent of the annual target, with only 16 percent recorded in the first quarter.

Table 1-3: Schedule of Equitable Share Disbursement FY2025/26

Period	Amount Received	Date Received	Funds Transfer No.	Percentage of Quarterly receipts to Approved Allocation
First Quarter	733,159,970	11-Aug-25	FT25223WCWSJ	
	726,295,971	24-Sept-25	FT25267G3SH7	
	1,459,455,941			**16**
Second Quarter	771,689,470	23-Oct-25	FT25296RPCVT	
	764,825,472	13-Nov-25	FT253174HX8H	
	771,689,470	23-Dec-25	BNK25357JB0DLMHJ	
	2,308,204,412			**25**
Third Quarter	726,295,970	23-Jan-26	BNK26023BLKMKBGL	
	771,689,470	23-Feb-26	BNK26054H0HLKKK0	
	771,689,470	19-Mar-26	BNK26078CCBGJMGD	
	726,295,971	14-Apr-26	BNK26104BL0D0FDF	
	2,995,970,881			**33**
Fourth Quarter	817,082,968	15-May-26	BNK26135GBHJBCD0	
	771,689,470	23-Jun-26	BNK26174BHGDLKHL	
	726,295,970	25-Jun-26	BNK261760KJHKKJL	
	2,315,068,409			**25**
	9,078,699,643			**100**

Source: *County Treasury*

2.1.1.2 Performance of Conditional Grants

17. Table 2-4 below provides an overview of the actual conditional grants and loans received during the review period. Based on the table, the County Government received Kshs 2,507,760,829.00 during the period FY2025/2026 against the annual target of Kshs3,134,429,370.00 for conditional grants and loans, implying 80 percent achievement. Compared against the actual receipts in the previous period, FY2024/2025, the actual performance in the period under review represents a significant improvement of 113.30 percent, against Kshs1,175,966,059.00 realized in FY2024/2025. However, uneven and delayed disbursement of funds remain the greatest challenge in the implementation of programmes and projects funded by conditional grants and loans. This is because some of the grants are performance – based and lower absorption rates would threaten subsequent disbursements.

Table 1-4: Grants Received for FY2025/2026

Period	Date Received	Activity	Amount Received	Funds Transfer Number	Percentage of Quarterly receipts to Approved Allocation
Quarter 1					
			-		**0**
Quarter 2					
			-		**0**
Quarter 3	08-Jan-26	NAVCDP	35,308,045	BNK26008CCHMHDL0	
	19-Jan-26	NAVCDP	96,843,380	BNK26019KJLCJH0L	
	22-Jan-26	KDSP	35,253,471	BNK26022GHCBBBFM	
	06-Feb-26	FLLOCA	126,753,746	BNK26037KMLFKJ0D	
	12-Feb-26	WSDP	342,000,000	BNK26043GDJLCLCM	
	11-Mar-26	Royalties	1,166,507,886	BNK26070GC0CGKGB	
	13-Mar-26	AIP	37,631,579	BNK26072LH0JJJBB	
	13-Mar-26	AIP	37,631,579	BNK26072JM0FLLDK	
	31-Mar-26	KUSP	94,262,310	BNK26090HLFKFHLM	
	22-Apr-26	KDSP	35,250,118	BNK26112G0DKFJJK	
			2,007,442,114		**80**
Quarter 4	26-Jun-26	NAVCDP	97,286,397	BNK26177JCFCFDJ0	
	06-May-26	K-WASH	142,263,673	BNK2615600LGMMFF	
	20-May-26	DANIDA	12,546,000	BNK26140CKDLJ0CL	
	08-Jul-26	FLOCA	21,583,631	BNK261890FJDDFCB	
	08-Jul-26	KUSP	26,000,000	BNK26189HMBKL0GG	
	09-Jul-26	KDSP	184,804,041	BNK26190DKBFMDKC	
	10-Jul-26	KISIP II	15,834,973	P752607090948950	
			500,318,715		**20**
TOTAL			**2,507,760,829**		**100**

Source: *County Treasury*

2.1.1.3 Performance of Internal Revenue Sources

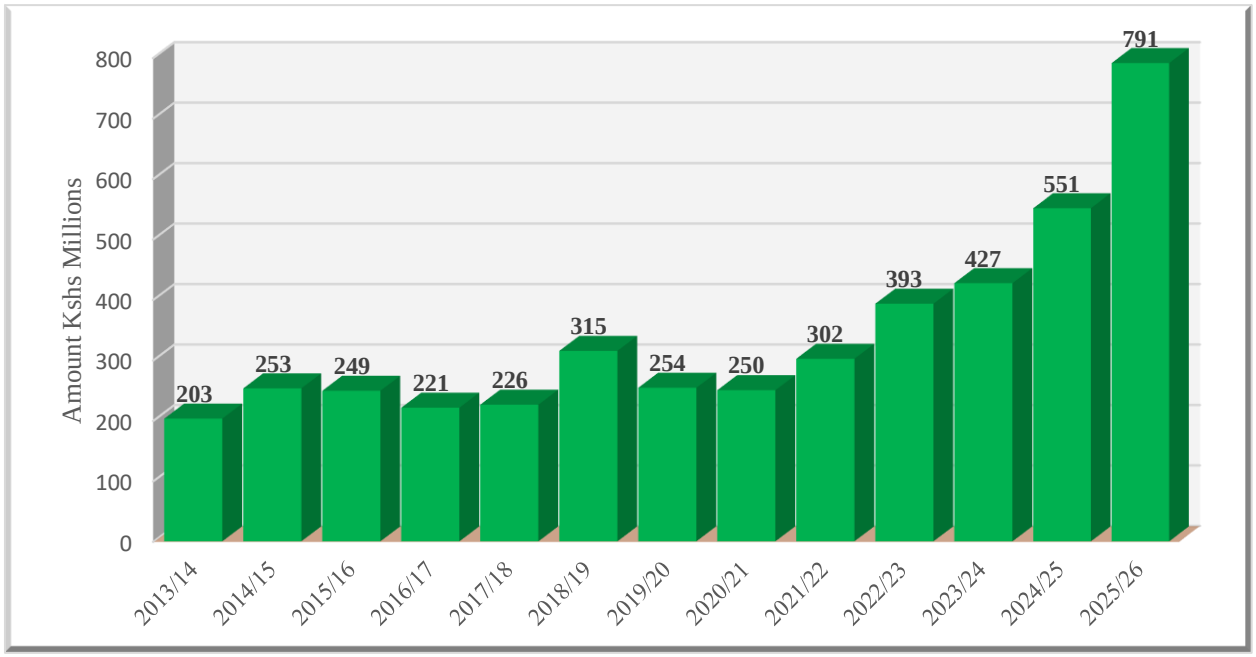
18. During the period under review, the County Government of Kwale posted an annual internal revenue collection of **Kshs 791,318,702.00,** against a revised target of **Kshs 1,004,359,801.00**. This implies **a 78.78 percent,** compared to 84.81 percent achievement realized in the previous period, FY2024/2025.

Table 1-5: Analysis of Own Source Revenue from FY 2013/2014- 2025/2026

Financial Year	Approved Revised Budget (Kshs Million)	Actual Receipt (Kshs Million)	Percentage Collected
2013/2014	370	203	54.86
2014/2015	500	253	50.6
2015/2016	300	249	83
2016/2017	261	221	84.67
2017/2018	275	226	82.18
2018/2019	303	315	103.96
2019/2020	325	254	78.15
2020/2021	365	250	68.49
2021/2022	438	302	68.95
2022/2023	454	393	86.56
2023/2024	600	427	71.17
2024/2025	650	551	84.81
2025/2026	1,004	791	78.78
TOTAL	**5,845**	**4,435**	**75.88**

Source: Kwale County Treasury

Figure 1-2: Kwale County historical trends in own source revenue collection



Source: *County Treasury*

2.1.1.3.1 Performance of Own Source Revenue (OSR)

19. The County Government of Kwale had an annual revised target of OSR amounting to Kshs 536,864,506.00. During the same period, the county recorded a total collection of **Kshs 367,738,514.00**, representing an achievement of 68 percent. Comparatively, this achievement shows a 25.60 improvement in relation to the performance made in a similar period in FY2024/2025. The table below provides a summary of OSR performance during the review period.

Table 1-6: Summary of Own Source Revenue Collection

Revenue Stream	Approved Target	Revised Target	Actual Receipts	Variance	Percentage Collection
Cess	47,218,200	74,141,200	65,956,066	-8,185,134	88.96
Land Rates	87,000,000	88,600,000	69,217,446	-19,382,554	78.12
Single Business Permit	153,300,420	153,300,420	100,416,341	-52,884,079	65.50
Conservancy Administration	6,640,000	7,140,000	4,235,726	-2,904,274	59.32
Administration Control Fees and Charges	20,860,910	29,610,910	18,430,435	-11,180,475	62.24
Other Fines, Penalties, and Forfeiture Fees	150,800	451,000	209,800	-241,200	46.52
Public Health Service Fees	-	10,309,800	8,448,535	-1,861,265	81.95
Physical Planning and Development	22,560,000	22,560,000	13,423,307	-9,136,693	59.50
Parking Fees	56,753,200	59,303,200	28,751,900	-30,551,300	48.48
Market Fees	18,565,080	14,565,080	11,574,140	-2,990,940	79.46
Property Rent	12,618,360	12,618,360	5,242,317	-7,376,043	41.55
Advertising	25,008,350	32,708,350	27,498,450	-5,209,900	84.07
Hire of County Assets	18,167,200	18,167,200	1,306,800	-16,860,400	7.19
Miscellaneous Receipts	12,230,779	12,616,779	12,287,251	-329,528	97.39
Park Fees	4,971,541	772,207	740,000	-32,207	95.83
TOTAL	**486,044,840**	**536,864,506**	**367,738,514**	**-169,125,992**	**68.50**

Table 1-7: Comparative Analysis on Own Source Revenue Performance FY2024/2025 – FY2025/2026

Revenue Stream	FY2024/2025			FY2025/2026		
	Approved Revised Target	Actual Receipts	Percentage Achievement	Approved Revised Target	Actual Receipts	Percentage Achievement
Cess	41,941,000	35,129,966	84	74,141,200	65,956,066	89
Land Rates	82,659,000	50,728,037	61	88,600,000	69,217,446	78
Single Business Permit	88,455,000	80,513,759	91	153,300,420	100,416,341	66
Conservancy Administration	6,140,000	4,320,000	70	7,140,000	4,235,726	59
Administration Control Fees and Charges	16,006,000	12,854,578	80	29,610,910	18,430,435	62
Other Fines, Penalties, and Forfeiture Fees	150,000	133,074	89	451,000	209,800	47
Public Health Service Fees	7,500,000	8,120,055	108	10,309,800	8,448,535	82
Physical Planning and Development	12,560,000	11,495,256	92	22,560,000	13,423,307	60
Parking Fees	43,674,000	23,619,605	54	59,303,200	28,751,900	48
Market Fees	14,370,000	10,526,370	73	14,565,080	11,574,140	79
Property Rent	11,251,000	6,265,748	56	12,618,360	5,242,317	42
Advertising	20,883,000	30,276,168	145	32,708,350	27,498,450	84
Hire of County Assets	2,740,000	861,000	31	18,167,200	1,306,800	7
Miscellaneous Receipts	1,671,000	18,034,083	1,079	12,616,779	12,287,251	97
Park Fees	0	0	0	772,207	740,000	96
TOTAL	**350,000,000**	**292,877,699**	**84**	**536,864,506**	**367,738,514**	**68**

Source: *County Treasury*

2.1.1.3.2 Facility Improvement Fund (FIF)

20. The Health sector's Facility Improvement Fund (FIF) registered a significant growth during the review period compared to the previous year's performance. During the 2025/2026 financial period, a total of **Kshs423,580,188.00** was collected against a revised target of Kshs467,495,295.00. This represents a performance of 91 percent. However, compared to the previous financial year's achievement, the 2025/2026 performance is a 65.60 percent growth from Kshs255,858,770.00 realized in the period FY2024/2025.

Table 1-8: Summary of Health Sector's Facility Improvement Fund Collection

S/No	Facility Name	Facility Level	Target	Total	Percentage Achievement
1	Msambweni County Referral Hospital	5	179,777,840	120,604,638	67
2	Kwale Sub County Hospital	4	50,765,000	43,928,022	87
3	Kinango Sub County Hospital	4	43,873,000	35,316,140	80
4	Lungalunga Sub County Hospital	4	35,616,000	22,883,169	64
5	Samburu Sub County Hospital	4	57,379,400	22,504,296	39
6	Diani Health Center	3	10,245,000	11,557,396	113
7	Mnyenzeni Health Center	3	7,015,000	9,269,427	132
8	Tiwi Rural Health Training Center	3	4,835,000	4,831,603	100
9	Kikoneni Health Center	3	5,670,000	3,942,653	70
10	Ndavaya Health Center	3	326,000	2,413,931	740
11	Vanga Health Center	3	326,000	898,494	276
12	Mkongani Hospital	3	7,782,500	6,806,054	87
13	Shimba Hills Health Center	3	326,000	656,778	201
14	Mazeras Health Center	3	858,000	478,224	56
15	Magaoni Health Center	3	326,000	115,003	35
16	Bumburi Dispensary	2	326,000	17,350,618	5,322
17	Waa Dispensary	2	5,929,000	6,064,914	102
18	Chitsanze Dispensary	2	326,000	5,465,551	1,677
19	Ng'ombeni Dispensary	2	4,504,600	5,534,636	123
20	Kizibe Dispensary	2	326,000	4,564,004	1,400
21	Kombani Dispensary	2	326,000	3,812,068	1,169
22	Mwangulu Dispensary	2	326,000	3,582,495	1,099
23	Muhaka Dispensary	2	326,000	3,191,644	979
24	Mwanda Dispensary	2	326,000	3,195,979	980
25	Bofu Dispensary	2	326,000	2,856,661	876
26	Mkundi Dispensary	2	326,000	2,382,248	731
27	Lutsangani Dispensary	2	1,430,000	2,674,122	187
28	Matuga Dispensary	2	306,955	2,598,175	846
29	Mvindeni Dispensary	2	326,000	2,509,580	770
30	Vigurungani Dispensary	2	326,000	1,843,416	565
31	Shirazi Dispensary	2	326,000	1,977,572	607
32	Ganja La Simba Dispensary	2	326,000	1,805,481	554
33	Gandini Dispensary	2	326,000	1,684,011	517
34	Mkanyeni Dispensary	2	326,000	1,707,638	524
35	Munje Dispensary	2	326,000	1,686,234	517

S/No	Facility Name	Facility Level	Target	Total	Percentage Achievement
36	Kilolapwa Dispensary	2	326,000	1,581,781	485
37	Mwabila Dispensary	2	326,000	1,726,988	530
38	Mbuwani Dispensary	2	326,000	1,592,276	488
39	Gombato Dispensary	2	326,000	2,712,616	832
40	Gulanze Dispensary	2	326,000	1,494,970	459
41	Vyongwani Dispensary	2	326,000	1,475,332	453
42	Kiteje Dispensary	2	326,000	1,476,971	453
43	Lukore Dispensary	2	326,000	1,289,736	396
44	Mwachinga Dispensary	2	326,000	1,347,767	413
45	Godo Dispensary	2	326,000	1,451,441	445
46	Pongwe Dispensary	2	326,000	1,247,709	383
47	Shambini Dispensary	2	326,000	1,199,318	368
48	Silaloni Dispensary	2	326,000	1,130,406	347
49	Pongwe Kidimu	2	326,000	1,369,567	420
50	Gazi Dispensary	2	326,000	1,156,607	355
51	Mwaluphamba Dispensary	2	326,000	1,248,278	383
52	Bishop Kalu Dispensary	2	326,000	1,146,518	352
53	Kibuyuni Dispensary	2	326,000	1,068,593	328
54	Milalani Dispensary	2	326,000	1,017,037	312
55	Taru Dispensary	2	326,000	1,280,170	393
56	Mulungunipa Dispensary	2	326,000	915,623	281
57	Nyango Dispensary	2	326,000	982,288	301
58	Vinyunduni Dispensary	2	326,000	912,910	280
59	Mwananyamala Dispensary	2	326,000	744,067	228
60	Bilashaka Dispensary	2	326,000	757,221	232
61	Mbegani Dispensary	2	326,000	818,994	251
62	Mbwaleni Dispensary	2	326,000	858,249	263
63	Biga Dispensary	2	326,000	825,042	253
64	Mzizima Dispensary	2	326,000	851,175	261
65	Kidomaya Dispensary	2	326,000	628,709	193
66	Shimoni Dispensary	2	326,000	784,114	241
67	Mtaa Dispensary	2	326,000	703,991	216
68	Chanzou Dispensary	2	326,000	739,332	227
69	Kinagoni Dispensary	2	326,000	1,030,804	316
70	Mwena Dispensary	2	326,000	505,572	155
71	Madibwani Dispensary	2	326,000	556,447	171
72	Mazola Dispensary	2	326,000	550,762	169
73	Mwanamamba Dispensary	2	326,000	591,176	181

S/No	Facility Name	Facility Level	Target	Total	Percentage Achievement
74	Busho Dispensary	2	326,000	696,380	214
75	Chilumani Dispensary	2	326,000	763,308	234
76	Mwanguda Dispensary	2	326,000	553,969	170
77	Mbuguni Dispensary	2	326,000	575,190	176
78	Mkang'ombe Dispensary	2	326,000	565,195	173
79	Kafuduni Dispensary	2	326,000	731,394	224
80	Vitsangalaweni Dispensary	2	326,000	471,690	145
81	Bahakwenu Dispensary	2	326,000	511,600	157
82	Mwachome Dispensary	2	326,000	478,550	147
83	Miguneni Dispensary	2	326,000	435,034	133
84	Kibandaongo Dispensary	2	326,000	494,464	152
85	Mackinonroad Dispensary	2	326,000	550,967	169
86	Moyeni Dispensary	2	326,000	394,408	121
87	Mwamivi Dispesnary	2	326,000	331,919	102
88	Kalalani Dispensary	2	326,000	470,923	144
89	Gozani Dispensary	2	326,000	296,305	91
90	Dudu Dispensary	2	326,000	274,296	84
91	Mwangwei Dispensary	2	326,000	274,168	84
92	Pemba Dispensary	2	326,000	346,909	106
93	Lunguma Dispensary	2	326,000	307,286	94
94	Zigira Dispensary	2	326,000	306,456	94
95	Msulwa Dispensary	2	326,000	463,945	142
96	Mwembeni Dispensary	2	326,000	254,465	78
97	Miatsani Dispensary	2	326,000	437,168	134
98	Miyani Dispensary	2	326,000	304,129	93
99	Maji Ya Chumvi Dispensary	2	326,000	179,403	55
100	Mtsunga Dispensary	2	326,000	213,285	65
101	Vwivwini Dispensary	2	326,000	193,274	59
102	Mbuluni Dispensary	2	326,000	243,337	75
103	Mbita Dispensary	2	326,000	217,696	67
104	Kasageni Dispensary	2	326,000	136,824	42
105	Mwangea Dispensary	2	326,000	255,239	78
106	Pangani Dispensary	2	326,000	189,961	58
107	Rorogi Dispensary	2	326,000	162,832	50
108	Dziriphe Dispensary	2	326,000	114,171	35
109	Mamba Dispensary	2	326,000	724,005	222
110	Makamini Dispensary	2	326,000	140,712	43
111	Chale Dispensary	2	326,000	27,489	8

S/No	Facility Name	Facility Level	Target	Total	Percentage Achievement
112	Dumbule Dispensary	2	326,000	18,432	6
113	Kilibasi Dispensary	2	326,000	132,945	41
114	Mwaruphesa Dispensary	2	326,000	241,676	74
115	Bonje Dispensary	2	326,000	-	-
116	Bengo Dispensary	2	326,000	-	-
117	Bidinimole Dispensary	2	326,000	-	-
118	Boyani Dispensary	2	326,000	-	-
119	Busa Dispensary	2	326,000	-	-
120	Bwiti Dispensary	2	326,000	-	-
121	Chidzaya Dispensary	2	326,000	-	-
122	Chidzipwa Dispensary	2	326,000	-	-
123	Chigato Dispensary	2	326,000	-	-
124	Chigombero Dispensary	2	326,000	-	-
125	Chigutu Dispensary	2	326,000	-	-
126	Chindi Dispensary	2	326,000	-	-
127	Deri Dispensary	2	326,000	-	-
128	Dzivani Dispensary	2	326,000	-	-
129	Egu Dispensary	2	326,000	-	-
130	Eshu Dispensary	2	326,000	242,814	74
131	Fingirika Dispensary	2	326,000	-	-
132	Galana Dispensary	2	326,000	-	-
133	Ibn Sina Dispensary	2	326,000	550,639	169
134	Jego Dispensary	2	326,000	-	-
135	Jorori Dispensary	2	326,000	-	-
136	Julani Dispensary	2	326,000	-	-
137	Kasemeni Dispensary (Kwale)	2	326,000	-	-
138	Kidiani Dispensary	2	326,000	-	-
139	Kilimangodo Dispensary	2	326,000	1,097,406	337
140	Kinango Ndogo Dispensary	2	326,000	-	-
141	Kiwegu Dispensary	2	326,000	-	-
142	Mabafweni Dispensary	2	326,000	-	-
143	Mabesheni Dispensary	2	326,000	-	-
144	Mafisini Dispensary	2	326,000	613,196	188
145	Magodzoni Dispensary	2	326,000	764,769	235
146	Majimboni Dispensary	2	326,000	-	-
147	Majimoto Dispensary	2	326,000	-	-
148	Majoreni Dispensary	2	326,000	-	-

S/No	Facility Name	Facility Level	Target	Total	Percentage Achievement
149	Makwenyeni Dispensary-Lungalunga	2	326,000	-	-
150	Matumbi Dispensary	2	326,000	-	-
151	Mavirivirini Dispensary	2	326,000	1,078,004	331
152	Mazumalume Dispensary	2	326,000	-	-
153	Mchinjirini Dispensary	2	326,000	-	-
154	Mgandini Dispensary	2	326,000	-	-
155	Miamba Dispensary	2	326,000	-	-
156	Mkwakwani Dispensary	2	326,000	-	-
157	Mkwiro Dispensary	2	326,000	-	-
158	Mteza Dispensary	2	326,000	-	-
159	Mtsangatamu Dispensary	2	326,000	-	-
160	Mtumwa Dispensary	2	326,000	257,934	79
161	Mtune Dispensary	2	326,000	-	-
162	Mulunguni Dispensary (Kinango)	2	326,000	-	-
163	Mwagwasheni Dispensary	2	326,000	-	-
164	Mwakijembe Dispensary	2	326,000	-	-
165	Mwaluvanga Dispensary	2	326,000	-	-
166	Mwamanga Dispensary	2	326,000	-	-
167	Mwanamkuu Dispensary	2	326,000	-	-
168	Mwashanga Dispensary	2	326,000	-	-
169	Mwereni Dispensary	2	326,000	-	-
170	Ngathini Dispensary	2	326,000	24,991	8
171	Sembe Dispensary	2	326,000	-	-
172	Tiribe Dispensary	2	326,000	-	-
173	Mwapala Dispensary	2	326,000	5,607	2
TOTAL			**467,495,295**	**423,580,188**	**91**

Source: *County Treasury*

Table 1-9: Comparative Analysis on Facility Improvement Fund Performance FY2024/2025 – FY2025/2026

S/No	Facility Name		FY2024-2025			FY2025-2026		
		Facility Level	Target	Amount	Percentage Achievement	Target	Amount	Percentage Achievement
1	Msambweni County Referral Hospital	5	84,000,000	97,943,490	117	179,777,840	120,604,638	67
2	Kwale Sub County Hospital	4	40,000,000	40,324,652	101	50,765,000	43,928,022	87
3	Kinango Sub County Hospital	4	35,000,000	31,483,574	90	43,873,000	35,316,140	80
4	Lunga Lunga Sub County Hospital	4	25,000,000	18,986,483	76	35,616,000	22,883,169	64
5	Samburu Sub County Hospital	4	25,000,000	16,632,752	67	57,379,400	22,504,296	39
6	Diani Health Center	3	12,000,000	11,583,518	97	10,245,000	11,557,396	113
7	Mnyenzeni Health Center	3	1,500,000	3,625,316	242	7,015,000	9,269,427	132
8	Tiwi Rural Health Training Center	3	4,200,000	1,079,963	26	4,835,000	4,831,603	100
9	Kikoneni Health Center	3	3,400,000	3,727,998	110	5,670,000	3,942,653	70
10	Ndavaya Health Center	3	1,500,000	1,141,591	76	326,000	2,413,931	740
11	Vanga Health Center	3	400,000	41,403	10	326,000	898,494	276
12	Mkongani Hospital	3	3,400,000	2,546,055	75	7,782,500	6,806,054	87
13	Shimba Hills Health Center	3	8,000,000	328,360	4	326,000	656,778	201
14	Mazeras Health Center	3	1,320,000	1,226,040	93	858,000	478,224	56
15	Magaoni Health Center	3	100,000	112,951	113	326,000	115,003	35
16	Bumburi Dispensary	2	-	-	-	326,000	17,350,618	5322
17	Waa Dispensary	2	260,000	852,876	328	5,929,000	6,064,914	102
18	Chitsanze Dispensary	2	-	-	-	326,000	5,465,551	1677
19	Ng'ombeni Dispensary	2	880,000	2,841,052	323	4,504,600	5,534,636	123
20	Kizibe Dispensary	2	200,000	1,125	1	326,000	4,564,004	1400
21	Kombani Dispensary	2	600,000	606,558	101	326,000	3,812,068	1169
22	Mwangulu Dispensary	2	300,000	1,854	1	326,000	3,582,495	1099
23	Muhaka Dispensary	2	-	-	-	326,000	3,191,644	979
24	Mwanda Dispensary	2	200,000	22,249	11	326,000	3,195,979	980
25	Bofu Dispensary	2	300,000	10,154	3	326,000	2,856,661	876
26	Mkundi Dispensary	2	-	-	-	326,000	2,382,248	731
27	Lutsangani Dispensary	2	2,200,000	1,440,169	65	1,430,000	2,674,122	187
28	Matuga Dispensary	2	260,000	391,334	151	306,955	2,598,175	846
29	Mvindeni Dispensary	2	1,500,000	902,166	60	326,000	2,509,580	770
30	Vigurungani Dispensary	2	550,000	1,500,066	273	326,000	1,843,416	565
31	Shirazi Dispensary	2	-	-	-	326,000	1,977,572	607
32	Ganja La Simba Dispensary	2	200,000	29,248	15	326,000	1,805,481	554
33	Gandini Dispensary	2	600,000	676,070	113	326,000	1,684,011	517
34	Mkanyeni Dispensary	2	-	-	-	326,000	1,707,638	524
35	Munje Dispensary	2	-	-	-	326,000	1,686,234	517
36	Kilolapwa Dispensary	2	-	-	-	326,000	1,581,781	485
37	Mwabila Dispensary	2	500,000	1,018,723	204	326,000	1,726,988	530
38	Mbuwani Dispensary	2	250,000	38,516	15	326,000	1,592,276	488

S/No	Facility Name		FY2024-2025			FY2025-2026		
		Facility Level	Target	Amount	Percentage Achievement	Target	Amount	Percentage Achievement
39	Gombato Dispensary	2	250,000	39,077	16	326,000	2,712,616	832
40	Gulanze Dispensary	2	280,000	477,683	171	326,000	1,494,970	459
41	Vyongwani Dispensary	2	1,000,000	1,353,734	135	326,000	1,475,332	453
42	Kiteje Dispensary	2	300,000	2,925	1	326,000	1,476,971	453
43	Lukore Dispensary	2	450,000	519,625	115	326,000	1,289,736	396
44	Mwachinga Dispensary	2	-	-	-	326,000	1,347,767	413
45	Godo Dispensary	2	-	-	-	326,000	1,451,441	445
46	Pongwe Dispensary	2	-	-	-	326,000	1,247,709	383
47	Shambini Dispensary	2	-	-	-	326,000	1,199,318	368
48	Silaloni Dispensary	2	450,000	370,699	82	326,000	1,130,406	347
49	Pongwe Kidimu Dispensary	2	300,000	300,000	100	326,000	1,369,567	420
50	Gazi Dispensary	2	500,000	335,793	67	326,000	1,156,607	355
51	Mwaluphamba Dispensary	2	250,000	314,140	126	326,000	1,248,278	383
52	Bishop Kalu Dispensary	2	-	-	-	326,000	1,146,518	352
53	Kibuyuni Dispensary	2	-	-	-	326,000	1,068,593	328
54	Milalani Dispensary	2	-	-	-	326,000	1,017,037	312
55	Taru Dispensary	2	400,000	938,953	235	326,000	1,280,170	393
56	Mulungunipa Dispensary	2	-	-	-	326,000	915,623	281
57	Nyango Dispensary	2	-	-	-	326,000	982,288	301
58	Vinyunduni Dispensary	2	-	-	-	326,000	912,910	280
59	Mwananyamala Dispensary	2	250,000	23,349	9	326,000	744,067	228
60	Bilashaka Dispensary	2	-	-	-	326,000	757,221	232
61	Mbegani Dispensary	2	300,000	561,647	187	326,000	818,994	251
62	Mbwaleni Dispensary	2	500,000	965,078	193	326,000	858,249	263
63	Biga Dispensary	2	-	-	-	326,000	825,042	253
64	Mzizima Dispensary	2	200,000	76,047	38	326,000	851,175	261
65	Kidomaya Dispensary	2	-	-	-	326,000	628,709	193
66	Shimoni Dispensary	2	300,000	3,250	1	326,000	784,114	241
67	Mtaa Dispensary	2	350,000	254,243	73	326,000	703,991	216
68	Chanzou Dispensary	2	300,000	4,500	2	326,000	739,332	227
69	Kinagoni Dispensary	2	200,000	526,674	263	326,000	1,030,804	316
70	Mwena Dispensary	2	-	-	-	326,000	505,572	155
71	Madibwani Dispensary	2	-	-	-	326,000	556,447	171
72	Mazola Dispensary	2	180,000	470,748	262	326,000	550,762	169
73	Mwanamamba Dispensary	2	-	-	-	326,000	591,176	181
74	Busho Dispensary	2	-	-	-	326,000	696,380	214
75	Chilumani Dispensary	2	-	-	-	326,000	763,308	234

S/No	Facility Name		FY2024-2025			FY2025-2026		
		Facility Level	Target	Amount	Percentage Achievement	Target	Amount	Percentage Achievement
76	Mwanguda Dispensary	2	200,000	298,116	149	326,000	553,969	170
77	Mbuguni Dispensary	2	250,000	64,309	26	326,000	575,190	176
78	Mkang'ombe Dispensary	2	-	-	-	326,000	565,195	173
79	Kafuduni Dispensary	2	150,000	166,253	111	326,000	731,394	224
80	Vitsangalaweni Dispensary	2	-	-	-	326,000	471,690	145
81	Bahakwenu Dispensary	2	-	-	-	326,000	511,600	157
82	Mwachome Dispensary	2	-	-	-	326,000	478,550	147
83	Miguneni Dispensary	2	-	-	-	326,000	435,034	133
84	Kibandaongo Dispensary	2	-	-	-	326,000	494,464	152
85	Mackinonroad Dispensary	2	500,000	280,825	56	326,000	550,967	169
86	Moyeni Dispensary	2	-	-	-	326,000	394,408	121
87	Mwamivi Dispesnary	2	-	-	-	326,000	331,919	102
88	Kalalani Dispensary	2	-	-	-	326,000	470,923	144
89	Gozani Dispensary	2	180,000	170,673	95	326,000	296,305	91
90	Dudu Dispensary	2	-	-	-	326,000	274,296	84
91	Mwangwei Dispensary	2	250,000	73,325	29	326,000	274,168	84
92	Pemba Dispensary	2	200,000	235,224	118	326,000	346,909	106
93	Lunguma Dispensary	2	-	-	-	326,000	307,286	94
94	Zigira Dispensary	2	250,000	26,186	10	326,000	306,456	94
95	Msulwa Dispensary	2	-	-	-	326,000	463,945	142
96	Mwembeni Dispensary	2	-	-	-	326,000	254,465	78
97	Miatsani Dispensary	2	-	-	-	326,000	437,168	134
98	Miyani Dispensary	2	-	-	-	326,000	304,129	93
99	Maji Ya Chumvi Dispensary	2	-	-	-	326,000	179,403	55
100	Mtsunga Dispensary	2	-	-	-	326,000	213,285	65
101	Vwivwini Dispensary	2	250,000	5,290	2	326,000	193,274	59
102	Mbuluni Dispensary	2	-	-	-	326,000	243,337	75
103	Mbita Dispensary	2	250,000	28,707	11	326,000	217,696	67
104	Kasageni Dispensary	2	-	-	-	326,000	136,824	42
105	Mwangea Dispensary	2	-	-	-	326,000	255,239	78
106	Pangani Dispensary	2	-	-	-	326,000	189,961	58
107	Rorogi Dispensary	2	-	-	-	326,000	162,832	50
108	Dziriphe Dispensary	2	-	-	-	326,000	114,171	35
109	Mamba Dispensary	2	300,000	397,575	133	326,000	724,005	222
110	Makamini Dispensary	2	150,000	77,744	52	326,000	140,712	43
111	Chale Dispensary	2	-	-	-	326,000	27,489	8

S/No	Facility Name		FY2024-2025			FY2025-2026		
		Facility Level	Target	Amount	Percentage Achievement	Target	Amount	Percentage Achievement
112	Dumbule Dispensary	2	-	-	-	326,000	18,432	6
113	Kilibasi Dispensary	2	250,000	20,225	8	326,000	132,945	41
114	Mwaruphesa Dispensary	2	-	-	-	326,000	241,676	74
115	Bonje Dispensary	2	-	-	-	326,000	-	-
116	Bengo Dispensary	2	-	-	-	326,000	-	-
117	Bidinimole Dispensary	2	-	-	-	326,000	-	-
118	Boyani Dispensary	2	-	-	-	326,000	-	-
119	Busa Dispensary	2	250,000	675	0	326,000	-	-
120	Bwiti Dispensary	2	-	-	-	326,000	-	-
121	Chidzaya Dispensary	2	-	-	-	326,000	-	-
122	Chidzipwa Dispensary	2	-	-	-	326,000	-	-
123	Chigato Dispensary	2	-	-	-	326,000	-	-
124	Chigombero Dispensary	2	-	-	-	326,000	-	-
125	Chigutu Dispensary	2	-	-	-	326,000	-	-
126	Chindi Dispensary	2	-	-	-	326,000	-	-
127	Deri Dispensary	2	-	-	-	326,000	-	-
128	Dzivani Dispensary	2	-	-	-	326,000	-	-
129	Egu Dispensary	2	-	-	-	326,000	-	-
130	Eshu Dispensary	2	-	-	-	326,000	242,814	74
131	Fingirika Dispensary	2	-	-	-	326,000	-	-
132	Galana Dispensary	2	-	-	-	326,000	-	-
133	Ibn Sina Dispensary	2	-	-	-	326,000	550,639	169
134	Jego Dispensary	2	-	-	-	326,000	-	-
135	Jorori Dispensary	2	-	-	-	326,000	-	-
136	Julani Dispensary	2	-	-	-	326,000	-	-
137	Kasemeni Dispensary (Kwale)	2	-	-	-	326,000	-	-
138	Kidiani Dispensary	2	-	-	-	326,000	-	-
139	Kilimangodo Dispensary	2	200,000	11,875	6	326,000	1,097,406	337
140	Kinango Ndogo Dispensary	2	-	-	-	326,000	-	-
141	Kiwegu Dispensary	2	-	-	-	326,000	-	-
142	Mabafweni Dispensary	2	-	-	-	326,000	-	-
143	Mabesheni Dispensary	2	-	-	-	326,000	-	-
144	Mafisini Dispensary	2	-	-	-	326,000	613,196	188
145	Magodzoni Dispensary	2	3,000,000	4,347,733	145	326,000	764,769	235
146	Majimboni Dispensary	2	-	-	-	326,000	-	-
147	Majimoto Dispensary	2	-	-	-	326,000	-	-
148	Majoreni Dispensary	2	-	-	-	326,000	-	-

S/No	Facility Name		FY2024-2025			FY2025-2026		
		Facility Level	Target	Amount	Percentage Achievement	Target	Amount	Percentage Achievement
149	Makwenyeni Dispensary (Lungalunga)	2	-	-	-	326,000	-	-
150	Matumbi Dispensary	2	370,000	415,886	112	326,000	-	-
151	Mavirivirini Dispensary	2	-	-	-	326,000	1,078,004	331
152	Mazumalume Dispensary	2	250,000	66,821	27	326,000	-	-
153	Mchinjirini Dispensary	2	-	-	-	326,000	-	-
154	Mgandini Dispensary	2	-	-	-	326,000	-	-
155	Miamba Dispensary	2	-	-	-	326,000	-	-
156	Mkwakwani Dispensary	2	-	-	-	326,000	-	-
157	Mkwiro Dispensary	2	-	-	-	326,000	-	-
158	Mteza Dispensary	2	-	-	-	326,000	-	-
159	Mtsangatamu Dispensary	2	-	-	-	326,000	-	-
160	Mtumwa Dispensary	2	260,000	225	-	326,000	257,934	79
161	Mtune Dispensary	2	-	-	-	326,000	-	-
162	Mulunguni Dispensary (Kinango)	2	-	-	-	326,000	-	-
163	Mwagwasheni Dispensary	2	-	-	-	326,000	-	-
164	Mwakijembe Dispensary	2	-	-	-	326,000	-	-
165	Mwaluvanga Dispensary	2	270,000	418,013	155	326,000	-	-
166	Mwamanga Dispensary	2	200,000	2,700	1	326,000	-	-
167	Mwanamkuu Dispensary	2	-	-	-	326,000	-	-
168	Mwashanga Dispensary	2	-	-	-	326,000	-	-
169	Mwereni Dispensary	2	-	-	-	326,000	-	-
170	Ngathini Dispensary	2	250,000	30,319	12	326,000	24,991	8
171	Sembe Dispensary	2	-	-	-	326,000	-	-
172	Tiribe Dispensary	2	-	-	-	326,000	-	-
173	Mwapala Dispensary	2	-	-	-	326,000	5,607	2
174	Wasini Dispensary	2	300,000	1,000	-	-	-	-
175	Other Facilities	2	31,090,000	64,600	-	-	-	-
TOTAL			**300,000,000**	**255,858,770**	**85**	**467,495,295**	**423,580,188**	**91**

2.2 Expenditure Performance and Analysis by Economic Classification

21. Over the FY2025/2026 period under review, the County Government of Kwale recorded total expenditure amounting to **Kshs11,769,761,860.00** (including payments of commitments from previous financial year) against the revised target of Kshs16,710,179,651.00. This implies to aa overall budget execution rate of 70 percent, compared to an absorption rate of 68.44 percent posted in the previous financial period, FY2024/2025. The actual expenditure realized in the period FY2025/2026, further represented a 74.73 percent absorption capacity of the total funds received during the same period.

22. Recurrent expenditure amounted to **Kshs 7,277,099,784.00** against a revised target of Kshs 8,447,835,122.00, translating into an absorption rate of **86 percent**. This indicates a marginal decline compared to a rate of 89.25 percent recorded in the previous period, FY2024/2025 where Kshs 7,070,742,950.00 (including payments of commitments from previous financial year) was spent on recurrent items. The shortfall in recurrent expenditure (Kshs1,170,735,338.00) can be partly attributed to the underperformance in OSR (Kshs 169,125,992.00), FIF (Kshs 43,915,107), and, conditional grants and loans (Kshs 626,668,541), which mostly are recurrent in nature.

23. Development expenditure, on the other hand, amounted to **Kshs 4,492,662,076.00** against a revised target of Kshs 8,262,344,529.00. This translates to an absorption rate of **54 percent** over the review period. Delayed disbursement and challenges relating to the tendering process continue to slow down the implementation of programmes and projects. However, this performance is an improvement of 44.50 percent compared to the previous year's Kshs 3,109,708,349.00 which was 44.72 percent of the revised target for the period FY2024/2025.

Table 1-10: Summary of Expenditure by Economic Classification for FY2025/2026

Expenditure Classification	FY2025/2026		Absorption (%)	Percentage of Total Expenditure
	Approved Revised Estimates	Actual Expenditure		
Current Expenditure	**8,435,929,319**	**7,466,369,014**	**88.51**	**62.43**
Compensation to Employees	4,004,258,113	3,994,905,957	99.77	33.40
Use of Goods and Services	4,431,671,206	3,471,463,057	78.33	29.03
Capital Expenditure	**8,262,344,529**	**4,492,662,076**	**54.38**	**37.57**
Other Development	8,262,344,529	4,492,662,076	54.38	37.57
Total Expenditure	**16,698,273,848**	**11,959,031,090**	**71.62**	**100.00**

Source: *Kwale County Treasury*

24. Table 2-11 below further provides a comparative analysis of expenditure by Economic Classification for FY2024/25 and FY2025/2026.

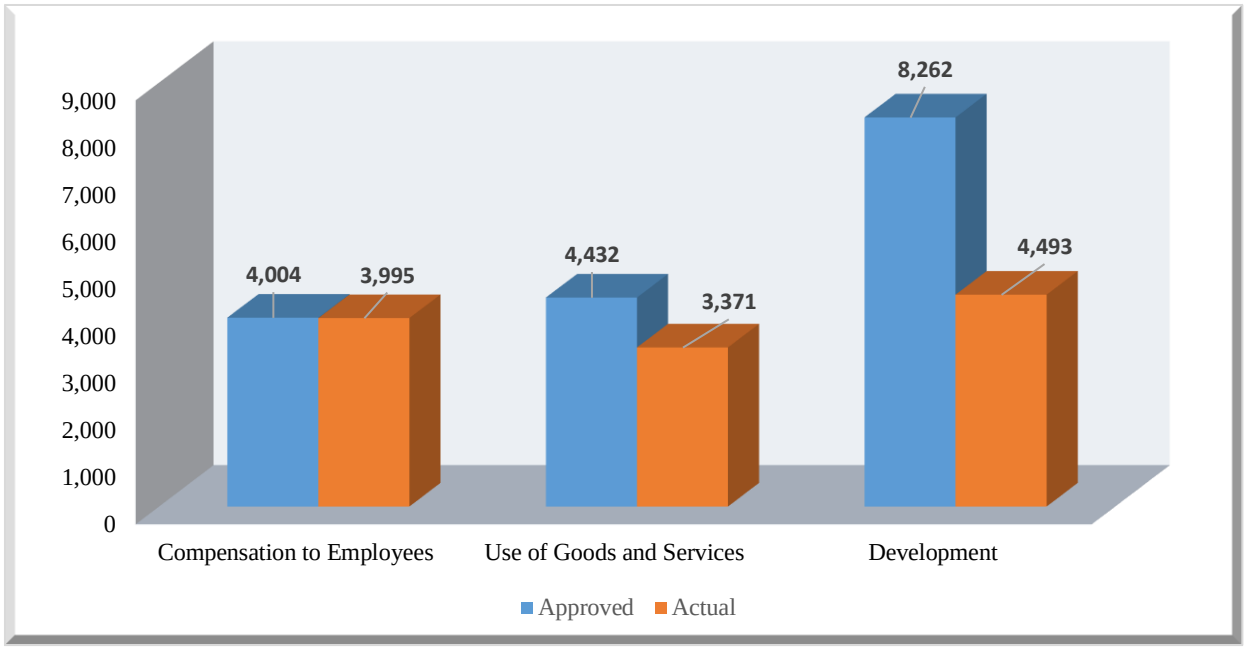
Table 1-11: Summary of Expenditure by Economic Classification for FY2024/2025 and FY2025/2026 (Amount in Kshs Billion)

Expenditure Classification	Approved Estimates		Actual Expenditure		Absorption (%)	
	FY2024/25	FY2025/26	FY2024/25	FY2025/26	FY2024/25	FY2025/26
Current Expenditure	**7.9**	**8.4**	**7.1**	**7.5**	**90**	**89**
Compensation to Employees	3.7	4	4.1	4	111	100
Use of Goods and Services	4.2	4.4	3	3.5	71	78
Capital Expenditure	**7**	**8.2**	**3.1**	**4.5**	**44**	**54**
Other Development	7	8.2	3.1	4.5	44	54
Total Expenditure	**14.9**	**16.7**	**10.2**	**12**	**68**	**72**

Source: *Kwale County Treasury*

This information is given in a graphical representation as follows.

Figure 1-3: Summary of Expenditure by Economic Classification (Kshs Million)



Source: *Kwale County Treasury*

25. During the same period, total transfers from other government entities stood at **Kshs1,533,497,717.00,** a significant increment compared to **Kshs 627,656,906.00** recorded in the previous period FY2024/2025 as highlighted in the table below.

Table 1-12: Transfers from other Government Entities

S/No.	Name	Approved Budget FY 2025/26 (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers since inception (Kshs.)
Established Corporations				
1	Emergency Fund	5,000,000	5,000,000	75,000,000
2	Kwale-Finance Equalization Fund	255,357,122	69,061,668	69,061,668
3	Kwale County Bursary Fund	400,000,000	400,000,000	4,971,000,000
4	Kwale Water Company & Sewerage Company Limited	450,000,000	1,059,436,049	2,658,839,989
TOTAL		**1,110,357,122**	**1,533,497,717**	**7,773,901,657**

Source: *County Treasury*

2.2.1 Departmental Expenditure Performance

26. In the review period, the County Attorney posted the highest budget execution rate of **114 percent**, followed by the department of Water Services and the department of Public Service and Administration at **111 percent** and **90 percent** respectively. Departments that recorded the lowest absorption capacities were the Kwale Municipality, department of Environment and Natural Resources, and, the department of Tourism and ICT at **27 percent, 34 percent, 36 percent,** respectively. The table below provides a summary of budget execution rates by county departments.

Table 1-13: Summary of Departmental Expenditure Performance FY2025/2026

Vote	Approved Estimates	Total Expenditure		BER	% of Total Expenditure
		Revised Estimates	Actual Expenditure		
3061 Finance and Economic Planning	797,579,602	1,009,831,785	770,254,321	76	7
3062 Agriculture, Livestock and Fisheries	305,868,595	494,590,265	361,114,166	73	3
3063 Environment and Natural Resources	610,769,743	719,279,802	240,981,650	34	2
3064 Curative Health Services	1,596,343,738	1,584,835,944	949,898,174	60	8
3065 County Assembly	1,221,307,297	1,395,053,317	1,035,581,570	74	9

Vote	Approved Estimates	Total Expenditure		BER	% of Total Expenditure
		Revised Estimates	Actual Expenditure		
3066 Trade and Cooperative Development	763,254,784	695,444,056	281,101,125	40	2
3067 Social Services and Talent Mngt	343,500,608	319,905,590	144,805,889	45	1
3068 County Executive Services	169,520,956	178,435,814	92,052,448	52	1
3069 Education	1,232,494,876	1,230,378,868	847,008,337	69	7
3070 Water Services	1,735,433,867	1,322,587,182	1,468,669,545	111	12
3071 Roads and Public Works	1,811,547,401	2,130,800,086	965,169,665	45	8
3072 ICT and Tourism	111,978,507	134,032,569	47,942,723	36	0
3073 County Public Service Board	112,529,186	86,353,068	42,952,031	50	0
3074 Public Service and Administration	3,898,504,705	4,286,642,332	3,838,385,713	90	33
3075 Kwale Municipality	91,501,998	123,219,036	33,704,200	27	0
3076 Diani Municipality	140,624,690	221,327,226	135,265,887	61	1
3077 County Attorney	172,180,578	122,453,070	140,097,892	114	1
3078 Lungalunga Municipality	48,023,118	48,149,688	41,843,032	87	0
3079 Kinango Municipality	58,429,161	63,663,701	50,088,678	79	0
3080 Preventive and Promotive Health Services	606,168,996	543,196,252	282,844,814	52	2
TOTAL	**15,827,562,406**	**16,710,179,651**	**11,769,761,860**	**70**	**100**

Source: *Kwale County Treasury*

27. The table below further shows the analysis on the departmental expenditure per economic classification for the FY2025/2026 budget.

Table 1-14: Analysis of Departmental Expenditure Performance FY2025/2026

Vote	Recurrent Expenditure FY2025/26		BER	Development Expenditure FY2025/26		BER	Total Expenditure		BER
	Target	Actual		Target	Actual		Target	Actual	
3061 Finance and Economic Planning	966,817,334	763,501,320	79	43,014,451	6,753,001	16	1,009,831,785	770,254,321	76
3062 Agriculture, Livestock and Fisheries	47,702,867	40,489,821	85	446,887,398	320,624,345	72	494,590,265	361,114,166	73
3063 Environment and Natural Resources	94,090,322	48,517,850	52	625,189,480	192,463,800	31	719,279,802	240,981,650	34
3064 Curative and Rehabilitative Health Services	1,056,784,307	649,977,652	62	528,051,637	299,920,522	57	1,584,835,944	949,898,174	60
3065 County Assembly	669,778,044	667,637,064	100	725,275,273	367,944,506	51	1,395,053,317	1,035,581,570	74
3066 Trade and Cooperative Development	61,680,028	40,314,749	65	633,764,028	240,786,376	38	695,444,056	281,101,125	40
3067 Social Services and Talent Management	143,167,973	102,703,130	72	176,737,617	42,102,759	24	319,905,590	144,805,889	45
3068 County Executive Services	138,435,814	92,052,448	66	40,000,000	-	0	178,435,814	92,052,448	52
3069 Education	567,542,864	505,347,437	89	662,836,004	341,660,900	52	1,230,378,868	847,008,337	69
3070 Water Services	95,106,345	79,020,779	83	1,227,480,837	1,389,648,766	113	1,322,587,182	1,468,669,545	111
3071 Infrastructure and Public Works	175,388,953	88,496,121	50	1,955,411,133	876,673,544	45	2,130,800,086	965,169,665	45
3072 Tourism and ICT	77,505,813	38,026,854	49	56,526,756	9,915,869	18	134,032,569	47,942,723	36
3073 County Public Service Board	66,370,377	31,606,650	48	19,982,691	11,345,381	57	86,353,068	42,952,031	50
3074 Public Service and Administration	3,896,239,301	3,812,465,017	98	390,403,031	25,920,696	7	4,286,642,332	3,838,385,713	90
3075 Kwale Municipality	33,561,986	18,053,942	54	89,657,050	15,650,258	17	123,219,036	33,704,200	27
3076 Diani Municipality	34,563,944	34,460,772	100	186,763,282	100,805,115	54	221,327,226	135,265,887	61
3077 County Attorney	122,453,070	140,097,892	114	-	-	-!	122,453,070	140,097,892	114
3078 Lungalunga Municipality	20,032,720	16,425,090	82	28,116,968	25,417,942	90	48,149,688	41,843,032	87
3079 Kinango Municipality	27,903,610	14,565,672	52	35,760,091	35,523,006	99	63,663,701	50,088,678	79
3080 Preventive and Promotive Health Services	8,447,835,122	7,277,099,784	86	8,262,344,529	4,492,662,076	54	16,710,179,651	11,769,761,860	70
TOTAL	**16,742,960,794**	**14,460,860,04**	**86**	**16,134,202,256**	**8,795,818,862**	**55**	**32,877,163,050**	**23,256,678,906**	**71**

28. A comparative analysis on expenditures by vote for the period FY2024/25 and FY2025/2026 is provided below.

Table 1-15: Summary of Expenditure by Vote between FY2024/2025 and FY2025/2026

Department & Vote	Expenditure FY2024 - 2025		BER	Expenditure FY2025 - 2026		BER
	Revised Estimates	Actual Expenditure		Revised Estimates	Actual Expenditure	
3061 Finance and Economic Planning	1,035,954,769	1,015,307,606	98	1,009,831,785	770,254,321	76
3062 Agriculture, Livestock and Fisheries	598,575,351	468,821,481	78	494,590,265	361,114,166	73
3063 Environment and Natural Resources	800,241,017	346,147,606	43	719,279,802	240,981,650	34
3064 Curative Health Services	3,269,249,392	2,912,211,191	89	1,584,835,944	949,898,174	60
3065 County Assembly	1,345,909,649	980,091,223	73	1,395,053,317	1,035,581,570	74
3066 Trade and Cooperative Development	735,790,515	255,769,904	35	695,444,056	281,101,125	40
3067 Social Services and Talent Management	412,538,837	357,010,671	87	319,905,590	144,805,889	45
3068 County Executive Services	181,299,457	137,333,110	76	178,435,814	92,052,448	52
3069 Education	1,400,318,517	1,112,234,036	79	1,230,378,868	847,008,337	69
3070 Water Services	2,034,675,404	708,179,247	35	1,322,587,182	1,468,669,545	111
3071 Infrastructure and Public Works	1,213,567,775	613,489,488	51	2,130,800,086	965,169,665	45
3072 Tourism and ICT	150,451,599	90,360,236	60	134,032,569	47,942,723	36
3073 County Public Service Board	93,616,810	53,133,339	57	86,353,068	42,952,031	50
3074 Public Service and Administration	622,795,387	555,277,650	89	4,286,642,332	3,838,385,713	90
3075 Kwale Municipality	152,653,099	127,860,738	84	123,219,036	33,704,200	27
3076 Diani Municipality	167,815,675	79,460,483	47	221,327,226	135,265,887	61
3077 County Attorney	181,333,069	101,328,512	56	122,453,070	140,097,892	114
3078 Lungalunga Municipality	84,469,928	71,436,229	85	48,149,688	41,843,032	87
3079 Kinango Municipality	78,964,555	44,077,097	56	63,663,701	50,088,678	79
3080 Preventive Health Services	315,842,801	150,921,452	48	543,196,252	282,844,814	52
TOTAL	**14,876,063,606**	**10,180,451,299**	**68**	**16,710,179,651**	**11,769,761,860**	**70**

Source: *Kwale County Treasury*

2.2.1.1 Departmental Recurrent Expenditure Performance

29. During the FY2025/2026 review period, the County Government of Kwale had an approved revised recurrent budget of **Kshs 8,447,835,122.00,** which constituted **50.56 percent** of the total budget for the same period. This represented a growth of 6.63 percent in recurrent budget compared to Kshs7,922,610,523.00, (53.26%) of the total approved revised budget for the period FY2024/2025. In the same period, actual spending on the recurrent budget amounted to **Kshs7,277,099,784.00**, implying and absorption capacity of **86 percent**. The underperformance of about 14 percent could be attributed to the delays in disbursement of equitable share of revenue by the national treasury coupled with shortfalls in the collection of own source revenues. Further analysis reveals that this performance in the period FY2025/2026 is a decline compared to an absorption capacity of 89.25 percent of the recurrent budget in the previous period FY2024/2025.

30. Nonetheless, during the review period, departments that posted highest absorption capacities were the County Attorney, the Kwale Municipality, and, the County Assembly at **114 percent, 99.70 percent, and, 99.68 percent,** respectively**.** On the other hand, the County Public Service Board, the departments of Tourism and ICT, and, Roads and Public Works recorded the least budget execution rates on recurrent budgets at **48 percent, 49 percent** and **50 percent,** respectively**.**

Table 1-16: Summary of Total Recurrent Expenditure

Vote	Approved Estimates	Recurrent Expenditure		BER	% of Total Expenditure
		Revised Estimates	Actual Expenditure		
3061 Finance and Economic Planning	749,221,601	966,817,334	763,501,320	79	10
3062 Agriculture, Livestock and Fisheries	93,418,940	47,702,867	40,489,821	85	1
3063 Environment and Natural Resources	116,294,195	94,090,322	48,517,850	52	1
3064 Curative Health Services	1,094,294,826	1,056,784,307	649,977,652	62	9
3065 County Assembly	659,893,327	669,778,044	667,637,064	100	9
3066 Trade and Cooperative Development	71,813,676	61,680,028	40,314,749	65	1
3067 Social Services and Talent Management	136,239,598	143,167,973	102,703,130	72	1
3068 County Executive Services	119,520,956	138,435,814	92,052,448	66	1
3069 Education	608,636,246	567,542,864	505,347,437	89	7

Vote	Approved Estimates	Recurrent Expenditure		BER	% of Total Expenditure
		Revised Estimates	Actual Expenditure		
3070 Water Services	81,146,011	95,106,345	79,020,779	83	1
3071 Roads and Public Works	119,050,998	175,388,953	88,496,121	50	1
3072 ICT and Tourism	65,188,507	77,505,813	38,026,854	49	1
3073 County Public Service Board	92,546,495	66,370,377	31,606,650	48	0
3074 Public Service and Administration	3,515,051,674	3,896,239,301	3,812,465,017	98	52
3075 Kwale Municipality	18,084,981	33,561,986	18,053,942	54	0
3076 Diani Municipality	35,792,904	34,563,944	34,460,772	100	0
3077 County Attorney	172,180,578	122,453,070	140,097,892	114	2
3078 Lungalunga Municipality	18,906,150	20,032,720	16,425,090	82	0
3079 Kinango Municipality	15,618,510	27,903,610	14,565,672	52	0
3080 Preventive and promotive health services	177,480,918	152,709,450	93,339,524	61	1
TOTAL	**7,960,381,091**	**8,447,835,122**	**7,277,099,784**	**86**	**100**

Source: *Kwale County Treasury*

31. Further, the table indicates that the departments of Public Service and Administration, Finance and Economic Planning, Curative and Rehabilitative Health Services, and, the County Assembly recorded the highest expenditures, in absolute terms, at **52 percent, 10 percent, 9 percent, and, 9 percent** respectively. The Municipalities of Kinango, Lungalunga, and, Kwale respectively posted the least expenditures in absolute terms at **0.20 percent, 0.23 percent and, 0.25 percent.**

Table 1-17: Analysis of Recurrent Expenditure Performance FY2025/2026

Vote	Personnel Emoluments FY2025/26		BER	Operations and Maintenance FY2025/26		BER	Recurrent Expenditure		BER
	Target	Actual		Target	Actual		Target	Actual	
3061 Finance and Economic Planning	-	-	-	966,817,334	763,501,320	79	966,817,334	763,501,320	79
3062 Agriculture, Livestock and Fisheries	-	-	-	47,702,867	40,489,821	85	47,702,867	40,489,821	85
3063 Environment and Natural Resources	-	-	-	94,090,322	48,517,850	52	94,090,322	48,517,850	52
3064 Curative Health Services	-	-	-	1,056,784,307	649,977,652	62	1,056,784,307	649,977,652	62
3065 County Assembly	285,133,487	285,133,486	100	384,644,557	382,503,578	99	669,778,044	667,637,064	100
3066 Trade and Cooperative Development	-	-	-	61,680,028	40,314,749	65	61,680,028	40,314,749	65
3067 Social Services and Talent Management	-	-	-	143,167,973	102,703,130	72	143,167,973	102,703,130	72
3068 County Executive Services	-	-	-	138,435,814	92,052,448	66	138,435,814	92,052,448	66
3069 Education	-	-	-	567,542,864	505,347,437	89	567,542,864	505,347,437	89
3070 Water Services	-	-	-	95,106,345	79,020,779	83	95,106,345	79,020,779	83
3071 Infrastructure and Public Works	-	-	-	175,388,953	88,496,121	50	175,388,953	88,496,121	50
3072 Tourism and ICT	-	-	-	77,505,813	38,026,854	49	77,505,813	38,026,854	49
3073 County Public Service Board	-	-	-	66,370,377	31,606,650	48	66,370,377	31,606,650	48
3074 Public Service and Administration	3,719,124,626	3,709,772,471	100	177,114,675	102,692,546	58	3,896,239,301	3,812,465,017	98
3075 Kwale Municipality	-	-	-	33,561,986	18,053,942	54	33,561,986	18,053,942	54
3076 Diani Municipality	-	-	-	34,563,944	34,460,772	100	34,563,944	34,460,772	100
3077 County Attorney	-	-	-	122,453,070	140,097,892	114	122,453,070	140,097,892	114
3078 Lunga Lunga Municipality	-	-	-	20,032,720	16,425,090	82	20,032,720	16,425,090	82
3079 Kinango Municipality	-	-	-	27,903,610	14,565,672	52	27,903,610	14,565,672	52
3080 Preventive Health Services	-	-	-	152,709,450	93,339,524	61	152,709,450	93,339,524	61
TOTAL	**4,004,258,113**	**3,994,905,957**	**100**	**4,443,577,009**	**3,282,193,827**	**74**	**8,447,835,122**	**7,277,099,784**	**86**

2.2.1.1.1 Personnel Emoluments Expenditure Performance

32. During the review period, FY2025/2026, the budget for personnel emolument was consolidated and transferred to the department of Public Service and Administration. This was meant to enhance efficiency in the management of the payroll. During this period, the approved revised allocation for payment of salaries, wages and other staff benefits amounted to **Kshs 4,004,258,113.00** comprising of Kshs 3,719,124,626.00 and Kshs 285,133,487.00 for the County Executive and County Assembly respectively. This constituted **23.96 percent** of the total county budget in the period under review.

33. The actual expenditure for the same period was **Kshs 3,994,905,957.00,** representing **99.77 percent** of the total personnel emolument approved budget. This performance further indicates the County Government of Kwale spent **33.94 percent** of the total actual expenditure on payment of staff salaries and other benefits. This affirms that the county complied with the provisions of the Public Finance Management (County Government) Regulations 2015 which states that the county government's expenditure on wages and benefits for its public officers shall not exceed 35 percent of the county government's total revenue. The county executive and the county assembly's absorption capacities for personnel emolument budgets were **99.75 percent** and **100 percent** respectively.

Table 1-18: Summary of Departmental Expenditure Performance on Personal Emoluments

Vote	Approved Estimates	Personnel Emoluments		BER	% of Total Expenditure
		Revised Estimates	Actual Expenditure		
3061 Finance and Economic Planning				-	-
3062 Agriculture, Livestock and Fisheries				-	-
3063 Environment and Natural Resources				-	-
3064 Curative Health Services				-	-
3065 County Assembly	293,662,461	285,133,487	285,133,486	100	7
3066 Trade and Cooperative Development				-	-
3067 Social Services and Talent Management				-	-
3068 County Executive Services				-	-
3069 Education				-	-

Vote	Approved Estimates	Personnel Emoluments		BER	% of Total Expenditure
		Revised Estimates	Actual Expenditure		
3070 Water Services				-	-
3071 Roads and Public Works				-	-
3072 ICT and Tourism				-	-
3073 County Public Service Board				-	-
3074 Public Service and Administration	3,335,974,626	3,719,124,626	3,709,772,471	100	93
3075 Kwale Municipality				-	-
3076 Diani Municipality				-	-
3077 County Attorney				-	-
3078 Lunga Lunga Municipality				-	-
3079 Kinango Municipality				-	-
3080 Preventive and Promotive Health Services				-	-
TOTAL	**3,629,637,087**	**4,004,258,113**	**3,994,905,957**	**100**	**100**

Source: *Kwale County Treasury*

34. The table below shows the comparison of expenditures on personnel emoluments between FY2024/2025 and FY2025/2026.

Table 1-19: Summary of Expenditures on Personnel Emoluments by Vote between FY2024/2025 and FY2025/2026

Vote	FY2024/2025			FY2025/2026		
	Approved Revised Estimates	Actual Expenditure	BER	Approved Revised Estimates	Actual Expenditure	BER
3061 Finance and Economic Planning	177,409,591	236,021,646	133	-	-	-
3062 Agriculture, Livestock and Fisheries	136,658,370	148,650,158	109	-	-	-
3063 Environment and Natural Resources	28,788,121	67,279,971	234	-	-	-
3064 Curative and Rehabilitative Health Services	1,745,971,324	1,914,329,896	110	-	-	-
3065 County Assembly	272,102,311	268,781,099	99	285,133,487	285,133,486	100
3066 Trade and Cooperative Development	34,492,649	37,724,616	109	-	-	-
3067 Social Services an Talent Management	34,895,661	38,224,806	110	-	-	-

Vote	FY2024/2025			FY2025/2026		
	Approved Revised Estimates	**Actual Expenditure**	**BER**	**Approved Revised Estimates**	**Actual Expenditure**	**BER**
3068 County Executive Services	69,756,120	77,034,003	110	-	-	-
3069 Education	565,029,482	617,826,802	109	-	-	-
3070 Water Services	42,353,950	46,159,235	109	-	-	-
3071 Infrastructure and Public Works	56,733,867	68,893,677	121	-	-	-
3072 ICT and Tourism	21,547,275	25,816,274	120	-	-	-
3073 County Public Service Board	30,607,116	33,491,543	109	-	-	-
3074 Public Service and Administration	477,009,373	494,522,405	104	3,719,124,626	3,709,772,471	100
3075 Kwale Municipality	-	-	-	-	-	-
3076 Diani Municipality	-	-	-	-	-	-
3077 County Attorney	12384502	12384502	100	-	-	-
3078 Lungalunga Municipality	-	-	-	-	-	-
3079 Kinango Municipality	-	-	-	-	-	-
3080 Preventive and Promotive Health Services	-	-	-	-	-	-
TOTAL	**3,705,739,712**	**4,087,140,633**	**110**	**4,004,258,113**	**3,994,905,957**	**100**

Source: *Kwale County Treasury*

2.2.1.1.2 Operations and Maintenance Expenditure Performance

35. The county government allocated a total of **Kshs 4,443,577,009.00** on county operations and maintenance activities, representing **26.60 percent** of the total approved budget during the review period. In the same period, total actual expenditure amounted to **Kshs 3,282,193,827.00.** This implies an absorption capacity of **74 percent**. Essential county expenditures under the operations and maintenance vote include the Elimu Ni Sasa programme, where the scholarship and bursary programme is implemented. Others are the provision of medical drugs under the Department of Health Services, and the staff medical cover under the Department of Finance and Economic Planning.

36. The County Attorney recorded the highest absorption rate of **114 percent** on the operations and maintenance expenditures. Others are Diani Municipality at **99.70 percent**, and, the County Assembly at **99.44 percent**.

Table 1-20: Expenditure Performance on Operations and Maintenance FY2025/2026

Vote	Approved Estimates	Operations and Maintenance		BER	% of Total Expenditure
		Revised Estimates	Actual Expenditure		
3061 Finance and Economic Planning	749,221,601	966,817,334	763,501,320	79	23
3062 Agriculture, Livestock and Fisheries	93,418,940	47,702,867	40,489,821	85	1
3063 Environment and Natural Resources	116,294,195	94,090,322	48,517,850	52	1
3064 Curative Health Services	1,094,294,826	1,056,784,307	649,977,652	62	20
3065 County Assembly	659,893,327	384,644,557	382,503,578	99	12
3066 Trade and Cooperative Development	71,813,676	61,680,028	40,314,749	65	1
3067 Social Services and Talent Management	136,239,598	143,167,973	102,703,130	72	3
3068 County Executive Services	119,520,956	138,435,814	92,052,448	66	3
3069 Education	608,636,246	567,542,864	505,347,437	89	15
3070 Water Services	81,146,011	95,106,345	79,020,779	83	2
3071 Roads and Public Works	119,050,998	175,388,953	88,496,121	50	3
3072 ICT and Tourism	65,188,507	77,505,813	38,026,854	49	1
3073 County Public Service Board	92,546,495	66,370,377	31,606,650	48	1
3074 Public Service and Administration	179,077,048	177,114,675	102,692,546	58	3
3075 Kwale Municipality	18,084,981	33,561,986	18,053,942	54	1
3076 Diani Municipality	35,792,904	34,563,944	34,460,772	100	1
3077 County Attorney	172,180,578	122,453,070	140,097,892	114	4
3078 Lungalunga Municipality	18,906,150	20,032,720	16,425,090	82	1
3079 Kinango Municipality	15,618,510	27,903,610	14,565,672	52	0
3080 Preventive and promotive health services	177,480,918	152,709,450	93,339,524	61	3
TOTAL	**4,624,406,465**	**4,443,577,009**	**3,282,193,827**	**74**	**100**

Source: *Kwale County Treasury*

37. The table below shows a comparative analysis of expenditure on operations and maintenance between FY2024/2025 and FY2025/2026.

Table 1-21: Summary of Expenditures on Operations and Maintenance for FY2024/2025 and FY2025/2026

Vote	FY2024/2025		BER	FY2025/2026		BER
	Revised Estimates	Actual Expenditure		Revised Estimates	Actual Expenditure	
3061 Finance and Economic Planning	830,988,159	770,017,794	93	966,817,334	763,501,320	79
3062 Agriculture, Livestock and Fisheries	54,098,019	25,425,211	47	47,702,867	40,489,821	85
3063 Environment and Natural Resources	93,281,447	22,495,603	24	94,090,322	48,517,850	52
3064 Curative Health Services	1,185,142,536	852,584,682	72	1,056,784,307	649,977,652	62
3065 County Assembly	467,696,894	466,613,649	100	384,644,557	382,503,578	99
3066 Trade and Cooperative Development	67,377,123	24,165,894	36	61,680,028	40,314,749	65
3067 Social Services an Talent Management	96,134,131	50,889,354	53	143,167,973	102,703,130	72
3068 Executive Services	111,543,337	60,299,107	54	138,435,814	92,052,448	66
3069 Education	415,511,785	287,511,790	69	567,542,864	505,347,437	89
3070 Water Services	91,540,676	67,990,024	74	95,106,345	79,020,779	83
3071 Infrastructure and Public Works	124,062,216	53,821,473	43	175,388,953	88,496,121	50
3072 ICT and Tourism	85,853,480	36,002,566	42	77,505,813	38,026,854	49
3073 County Public Service Board	48,009,694	19,641,796	41	66,370,377	31,606,650	48
3074 Public Service and Administration	136,832,982	52,728,686	39	177,114,675	102,692,546	58
3075 Kwale Municipality	40,193,472	17,903,840	45	33,561,986	18,053,942	54
3076 Diani Municipality	41,034,609	30,383,422	74	34,563,944	34,460,772	100
3077 County Attorney	168,948,567	88,944,010	53	122,453,070	140,097,892	114
3078 Lungalunga Municipality	16,438,726	11,121,341	68	20,032,720	16,425,090	82
3079 Kinango Municipality	23,741,453	6,116,995	26	27,903,610	14,565,672	52

3080 Preventive and Promotive Health Services	118,441,507	38,945,080	33	152,709,450	93,339,524	61
TOTAL	**4,216,870,813**	**2,983,602,317**	**71**	**4,443,577,009**	**3,282,193,827**	**74**

Source: Kw*ale County Treasury*

2.2.1.2 Development Expenditure Performance

38. During the review period, FY2025/2026, the County Government of Kwale allocated **Kshs 8,262,344,529.00** towards development expenditure (including payments on commitments from previous financial year), which made up **49.45 percent** of the total revised estimates. This indicates an expansion of **18.82 percent** in development expenditure allocation compared to Kshs6,953,453,081.00 set aside for development activities in the previous financial period, FY2024/2025.

39. In the same period, the county spent a total of **Kshs 4,492,662,076.00,** translating to an absorption capacity of **54 percent** of the revised development budget. This is an improvement in performance in comparison to previous financial year's absorption capacity of 44.72 percent, where actual development spending amounted to Kshs 3,109,708,349.00. The underperformance on development spending may be attributed to delays in the release of the equitable share of revenue and shortfalls in collection of internal sources of revenue, which has a negative effect on the implementation of county programmes and projects.

40. The departments that posted higher absorption rates are Water Services, Kinango Municipality, and, Lunga Lunga Municipality at **113 percent**, **99 percent,** and **90 percent,** respectively. However, in absolute terms, the Department of Water Services recorded the highest expenditure accounting for **31 percent** of the total county's actual development expenditure. Others were the departments of Roads and Public Works (**20%**), and the County Assembly and the Department of Education, each accounting for **8 percent.**

41. The table below indicates a summary of departmental development expenditure performance for the period under review.

Table 1-22: Summary of Departmental Development Expenditure Performance FY2025/2026

Vote	Approved Estimates	Development Expenditure		BER	% of Total Expenditure
		Revised Estimates	Actual Expenditure		
3061 Finance and Economic Planning	48,358,001	43,014,451	6,753,001	16	0
3062 Agriculture, Livestock and Fisheries	212,449,655	446,887,398	320,624,345	72	7
3063 Environment and Natural Resources	494,475,548	625,189,480	192,463,800	31	4
3064 Curative Health Services	502,048,912	528,051,637	299,920,522	57	7
3065 County Assembly	561,413,970	725,275,273	367,944,506	51	8
3066 Trade and Cooperative Development	691,441,108	633,764,028	240,786,376	38	5
3067 Social Services and Talent Management	207,261,010	176,737,617	42,102,759	24	1
3068 County Executive Services	50,000,000	40,000,000	-	0	0
3069 Education	623,858,630	662,836,004	341,660,900	52	8
3070 Water Services	1,654,287,856	1,227,480,837	1,389,648,766	113	31
3071 Roads and Public Works	1,692,496,403	1,955,411,133	876,673,544	45	20
3072 ICT and Tourism	46,790,000	56,526,756	9,915,869	18	0
3073 County Public Service Board	19,982,691	19,982,691	11,345,381	57	0
3074 Public Service and Administration	383,453,031	390,403,031	25,920,696	7	1
3075 Kwale Municipality	73,417,017	89,657,050	15,650,258	17	0
3076 Diani Municipality	104,831,786	186,763,282	100,805,115	54	2
3077 County Attorney	-	-	-	-	-
3078 Lungalunga Municipality	29,116,968	28,116,968	25,417,942	90	1
3079 Kinango Municipality	42,810,651	35,760,091	35,523,006	99	1
3080 Preventivee and promotive health services	428,688,078	390,486,802	189,505,290	49	4
TOTAL	**7,867,181,315**	**8,262,344,529**	**4,492,662,076**	**54**	**100**

Source: *Kwale County Treasury*

42. Further analysis of development expenditure is given in the table below.

Table 1-23: Comparative Analysis of Departmental Development Performance FY2025/2026

Vote	Development Expenditure FY2024/25		BER	Development Expenditure FY2025/26		BER
	Revised Estimates	Actual Expenditure		Revised Estimates	Actual Expenditure	
3061 Finance and Economic Planning	27,557,019	9,268,166	34	43,014,451	6,753,001	16
3062 Agriculture, Livestock and Fisheries	407,818,962	294,746,112	72	446,887,398	320,624,345	72
3063 Environment and Natural Resources	678,171,449	256,372,032	38	625,189,480	192,463,800	31
3064 Curative and Rehabilitative Health Services	338,135,532	145,296,613	43	528,051,637	299,920,522	57
3065 County Assembly	606,110,444	244,696,475	40	725,275,273	367,944,506	51
3066 Trade and Cooperative Development	633,920,743	193,879,394	31	633,764,028	240,786,376	38
3067 Social Services and Talent Management	281,509,045	267,896,511	95	176,737,617	42,102,759	24
3068 County Executive Services	-	-	0	40,000,000	0	0
3069 Education	419,777,250	206,895,444	49	662,836,004	341,660,900	52
3070 Water Services	1,900,780,778	594,029,988	31	1,227,480,837	1,389,648,766	113
3071 Infrastructure and Public Works	1,032,771,692	490,774,338	48	1,955,411,133	876,673,544	45
3072 Tourism and ICT	43,050,844	28,541,396	66	56,526,756	9,915,869	18
3073 County Public Service Board	15,000,000	-	0	19,982,691	11,345,381	57
3074 Public Service and Administration	8,953,032	8,026,559	90	390,403,031	25,920,696	7
3075 Kwale Municipality	112,459,627	109,956,898	98	89,657,050	15,650,258	17
3076 Diani Municipality	126,781,066	49,077,061	39	186,763,282	100,805,115	54
3077 County Attorney	-	-	-	-	-	-
3078 Lunga Lunga Municipality	68,031,202	60,314,888	89	28,116,968	25,417,942	90

Vote	Development Expenditure FY2024/25		BER	Development Expenditure FY2025/26		BER
	Revised Estimates	Actual Expenditure		Revised Estimates	Actual Expenditure	
3079 Kinango Municipality	55,223,102	37,960,102	69	35,760,091	35,523,006	99
3080 Preventive and Promotive Health Services	197,401,294	111,976,372	57	390,486,802	189,505,290	49
TOTAL	**6,953,453,081**	**3,109,708,349**	**45**	**8,262,344,529**	**4,492,662,076**	**54**

Source*: Kwale County Treasury*

2.3 Overall Balance and Financing

43. Based on the performance in revenue and expenditure during the FY2025/2026 review period, the fiscal balance amounted to **Kshs3,980,521,945.00.** This amount was incorporated into the approved budget for the period FY2026/2027 to implement the intended programmes and projects.

Table 1-24: Overall Fiscal balance and Financing FY2025/2026

Item	FY2024/25	FY2025/2026		
	Actual	Actual	Target	Deviation
A. TOTAL REVENUE AND GRANTS	**14,814,897,676**	**15,750,283,805**	**16,710,179,650**	**-959,895,845**
1. Revenue	**9,863,389,934**	**9,870,018,344**	**10,083,059,444**	**-213,041,099**
Equitable Share	9,312,139,711	9,078,699,643	9,078,699,643	-
Own Source Revenue	292,877,699	367,738,514	536,864,506	-169,125,992
Appropriations - In - Aid	258,372,524	423,580,188	467,495,295	-43,915,107
2. Conditional Grants and Loans	**1,175,966,059**	**2,507,760,829**	**3,254,615,574**	**-746,854,745**
3. Income Brought Forward	**3,775,541,683**	**3,372,504,633**	**3,372,504,633**	**-**
B. EXPENDITURE	**10,180,451,299**	**11,769,761,860**	**12,940,497,198**	**-1,170,735,338**
1. Recurrent	**7,070,742,950**	**7,277,099,784**	**8,447,835,122**	**-1,170,735,338**
Personnel Emoluments	4,087,140,633	3,994,905,957	4,004,258,113	-9,352,156
Operations and Maintenance	2,983,602,317	3,282,193,827	4,443,577,009	-1,161,383,182
2. Development	**3,109,708,349**	**4,492,662,076**	**4,492,662,076**	**-**
C. OVERALL FISCAL BALANCE	**4,634,446,377**	**3,980,521,945**	**3,769,682,452**	**210,839,493**

Source: *Kwale County Treasury*

2.4 Fiscal Performance for the FY2025/2026 in Relation to Financial Objectives

44. The fiscal performance in the FY2025/2026 will affect the financial objectives as set out in the PFM Act, 2012 and outlined in the 2026 CFSP and the budget for FY2026/2027 in many ways: -

45. The baseline ceilings for spending departments were adjusted to factor in the revised resource envelope and the non-implemented programmes and projects under the updated macroeconomic framework. The underspending in both recurrent and development budgets for the FY2025/2026 has implications for the base used to project expenditures in the FY2026/2027 and the medium term. Appropriate revisions have been undertaken in the context of this CBROP, taking into account the budget outturn for the review period.

46. As highlighted above, the reasons for the deviations from the financial objectives include: shortfalls in internal revenue sources, for both OSR and AIA collection, and delays in the transfer of funds by the National Government to the CRF. This hurts the implementation of both recurrent and development programmes. To remedy these deviations, the fiscal outlook will focus on strengthening its own sources of revenue by enforcing appropriate revenue raising measures to enhance OSR collection.

2.5 Compliance with Fiscal Responsibility Principles

2.5.1 Development Expenditure

47. In managing the County Government's finances, the Public Finance Management Act, 2012 Section 107(b) requires that over the medium term, a minimum of 30 percent of each County Government's budget shall be allocated to development expenditure. In complying with this legal requirement, the County Government of Kwale in the FY2025/2026 allocated 49.45 percent of its budget to its development budget.

2.5.2 Recurrent Expenditure

48. The PFM Act 2012, also in relation to expenditures on recurrent budget stipulates that the total expenditure on recurrent budget should not exceed the county's total revenue. During the period under review the actual recurrent expenditure was 7.30 billion, while the total actual revenue was 15.80 billion.

2.5.3 Personnel Emoluments

49. Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015, requires that the county government's expenditure on wages and benefits for its public officers shall not exceed thirty-five (35) percent of the county government's total revenue. Again, the County Government of Kwale kept the wage bill below the legal threshold by spending 33.94 percent on personnel emoluments.

2.5.4 Own Source Revenue

50. In line with the provisions of Section 107 (2g) of the PFM Act, 2021, a reasonable degree of predictability with respect to the level of local revenue bases shall be maintained, taking into account any reforms and measures put in place to steer the county along the transformative trajectory.

CHAPTER THREE: RECENT DEVELOPMENTS AND MACROECONOMIC OUTLOOK

2.0 Overview

51. This chapter highlights the recent developments that could have impacted on the fiscal performance of the period under review. It further provides the macroeconomic outlook impacting into the future.

2.1 World Economic Outlook

52. Global economic growth is projected to slow to 3.0 percent in 2026 from 3.5 percent in 2025, before recovering to 3.4 percent in 2027**.** The slowdown in 2026 reflects the adverse effects of the Middle East conflict, including higher energy prices, elevated inflationary pressures, supply chain disruptions, and increased geopolitical uncertainty. Growth is expected to recover in 2027 as energy market conditions gradually normalize, geopolitical tensions ease, and continued investment and productivity gains from AI-driven technological advancements provide stronger support to global economic activity. However, the recovery is expected to remain uneven, with energy exporters and technology-linked economies generally performing better than energy-importing countries with limited participation in the technology-driven expansion.

Figure 2-1: Global Economic Performance

	Growth (%)					
	Actual				Projections	
Economy	2022	2023	2024	2025	2026	2027
World	3.6	3.5	3.5	3.5	3.0	3.4
Advanced Economies	2.9	1.8	1.9	1.9	1.7	1.8
Of which: USA	*1.9*	*2.9*	*2.8*	*2.1*	*2.3*	*2.2*
Euro Area	*3.4*	*0.5*	*1.0*	*1.4*	*0.9*	*1.2*
Japan	*1.0*	*1.4*	*(0.2)*	*1.1*	*0.6*	*0.7*
Emerging and Developing Economies	4.1	4.7	4.5	4.5	3.8	4.5
Of which: China	*3.0*	*5.4*	*5.0*	*5.0*	*4.6*	*4.1*
India	*7.0*	*9.2*	*7.1*	*7.7*	*6.4*	*6.7*
Sub-Saharan Africa	4.0	3.6	4.2	4.5	4.3	4.5
Of which: South Africa	1.9	0.8	0.5	1.1	1.1	1.3
Nigeria	3.3	2.9	4.1	4.0	4.1	4.3

Source: IMF World Economic Outlook, July 2026

53. Growth in advanced economies is projected to remain subdued, with growth rising slightly from 1.7 percent in 2026 to 1.8 percent in 2027. The outlook reflects divergent effects of the Middle East conflict and the technology-driven investment cycle. Net energy exporters are partly cushioned by favorable terms-of-trade effects, while net energy importers face greater pressure from higher energy prices, although economies benefiting from technology-related activity are expected to perform better. Within the group, growth in the United States is projected at 2.3 percent in 2026 and 2.2 percent in 2027, supported by fiscal policy, accommodative financial conditions, and continued technology-related investment, while growth in the Euro Area and United Kingdom remains weaker before recovering in 2027 as the energy shock fades.

54. Growth in emerging market and developing economies is projected to slow to 3.8 percent in 2026 from 4.5 percent in 2025, before recovering to 4.5 percent in 2027, reflecting significant variation across regions. The sharpest slowdown is expected in the Middle East and Central Asia, where growth is projected to fall to 0.7 percent in 2026 from 3.5 percent in 2025 before rebounding strongly to 6.5 percent in 2027, as disruptions to energy production and transport ease. Growth in Emerging and Developing Asia is expected to remain relatively resilient, supported by strong technology-related investment and external demand.

55. Growth in Sub-Saharan Africa is projected to moderate to 4.3 percent in 2026 from 4.5 percent in 2025, before recovering to 4.5 percent in 2027. The slowdown in 2026 reflects higher energy and food prices arising from the Middle East conflict and reduced official development assistance, with the impact varying across economies. Growth is expected to strengthen in 2027 as external conditions improve, although structural and financing constraints and limited participation in the AI-driven technology expansion will continue to weigh on the region's outlook.

2.2 Kenya's Economic Performance

56. The Kenyan economy has remained resilient despite the challenging global environment, growing at an average rate of 5.0 percent over the period 2022 to 2025, compared with average global growth of 3.4 percent and 4.1 percent in Sub- Saharan Africa. This resilience reflects sound macroeconomic management, including prudent monetary and fiscal policies, sustained structural reforms, and increasing economic diversification, which have strengthened the economy's capacity to withstand adverse shocks. The economy's resilience continued in the first quarter of 2026, with real GDP growth accelerating to 5.3 percent from 4.9 percent in the corresponding

quarter of 2025 The growth was broad based, with all sectors recording positive performance, and was supported largely by stronger activity in manufacturing; agriculture, forestry and fishing; accommodation and food services; financial and insurance services; and real estate.

Table 2-1: Sector GDP Performance

Sectors/Sub-sectors	Annual Growth Rates		Quartely Growth Rates	
	2024	2025	2025 Q1	2026 Q1
1. Primary sector	**3.7**	**3.7**	**5.7**	**5.1**
1.1. Agriculture, Forestry and Fishing	4.4	3.1	5.3	4.9
1.2 Mining and Quarrying	(7.8)	14.9	12.7	9.1
2. Secondary Sector (Industry)	**1.6**	**4.1**	**3.6**	**5.1**
2.1. Manufacturing	3.0	2.0	2.8	4.4
2.2. Electricity and Water supply	2.7	5.2	4.1	4.3
2.3. Construction	(0.7)	6.8	4.5	6.6
3. Tertiary sector (Services)	**6.2**	**5.0**	**4.8**	**5.0**
3.1. Wholesale and Retail trade	4.0	3.6	4.3	4.0
3.2. Accomodation and Restaurant	25.9	15.6	8.0	14.7
3.3. Transport and Storage	4.3	3.7	3.6	3.6
3.4. Information and Communication	7.1	4.8	5.5	5.0
3.5. Financial and Insurance	7.5	6.5	5.3	6.3
3.6. Public Administration	8.7	8.3	9.5	5.7
3.7. Others	5.3	3.8	3.7	4.6
of which: Professional, Admin & Support Services	6.4	5.0	4.1	2.4
Real Estate	5.3	3.9	4.6	5.0
Education	4.8	2.8	1.8	6.2
Health	6.0	5.5	4.7	4.3
Taxes less subsidies	3.3	3.1	4.1	4.3
Real GDP	**4.7**	**4.6**	**4.9**	**5.3**

Source of Data: Kenya National Bureau of Statistics

57. The **primary sector** grew by 5.1 percent in the first quarter of 2026, compared to a growth of 5.7 percent in the corresponding quarter of 2025.Growth in the sector was supported by positive performance in both the agriculture, forestry and fishing and mining and quarrying sub-sectors. However, the overall growth of the primary sector moderated compared to the corresponding quarter of 2025, reflecting slower expansion in these key sub-sectors.

58. The Agriculture, Forestry and Fishing sub-sector expanded by 4.9 percent in the first quarter of 2026, compared to 5.3 percent in the corresponding quarter of 2025. Growth was supported by improved output in tea, sugarcane and dairy, as well as stronger horticultural exports, reflecting favorable weather conditions, improved productivity and sustained export demand. However, overall growth moderated due to lower coffee production associated with the biennial production cycle and reduced fruit exports resulting from lower production and weaker demand in key export markets.

59. The Mining and Quarrying sub-sector grew by 9.1 percent in the first quarter of 2026, compared to 12.7 percent in the corresponding quarter of 2025. The sub-sector's performance was supported by increased production of key minerals, particularly soda ash, construction materials, and other quarry products, reflecting sustained demand from the construction and manufacturing sectors. However, growth moderated compared to the corresponding quarter of 2025, partly reflecting a higher base effect and slower expansion in mineral production.

60. The industry sector grew by 5.1 percent in the first quarter of 2026 compared to a growth of 3.6 percent in the first quarter of 2025, supported by improved growth in manufacturing, construction, and electricity and water supply sub- sectors. The manufacturing sub-sector grew by 4.4 percent in the first quarter of 2026, compared to 2.8 percent in the corresponding quarter of 2025. The improved performance was driven by increased production in both the food and non-food manufacturing. Growth in food manufacturing was supported by higher production of sugar, soft drinks and dairy products, while non-food manufacturing benefited from increased production of assembled vehicles, galvanized sheets and cement. The sub-sector's performance was further supported by increased credit to manufacturing enterprises.

61. The construction sub-sector grew by 6.6 percent in the first quarter of 2026, compared to 4.5 percent in the corresponding quarter of 2025. The improved performance reflected increased demand for key construction materials, including cement, bitumen, iron and steel, indicating sustained activity in infrastructure development and private sector construction. Continued implementation of public infrastructure projects and resilient private sector investment also supported the sub-sector's growth.

62. The electricity and water supply sub-sector grew by 4.3 percent in the first quarter of 2026, compared to 4.1 percent in the corresponding quarter of 2025. The improved performance was supported by increased electricity generation, driven mainly by higher output from geothermal and hydro sources following improved water availability and continued investment in renewable energy. However, the growth was partly moderated by lower generation from thermal, wind and solar sources.

63. The services sector recorded a growth of 5.0 percent in the first quarter of 2026 compared to a growth of 4.8 percent in the same period in 2025. The transportation and storage sub-sector grew by 3.6 percent in the first quarter of 2026, the same rate as in the corresponding quarter of 2025.

The sub-sector's performance was supported by increased road transport activity, higher cargo throughput at the Port of Mombasa, and continued growth in freight and passenger traffic on the Standard Gauge Railway (SGR), reflecting sustained trade and logistics activity.

64. The accommodation and food service sub-sector grew by 14.7 percent in the first quarter of 2026, compared to 8.0 percent in the corresponding quarter of 2025. The strong performance was supported by increased international visitor arrivals through the country's major airports, reflecting sustained recovery in tourism, improved air connectivity, and stronger demand for hospitality services.

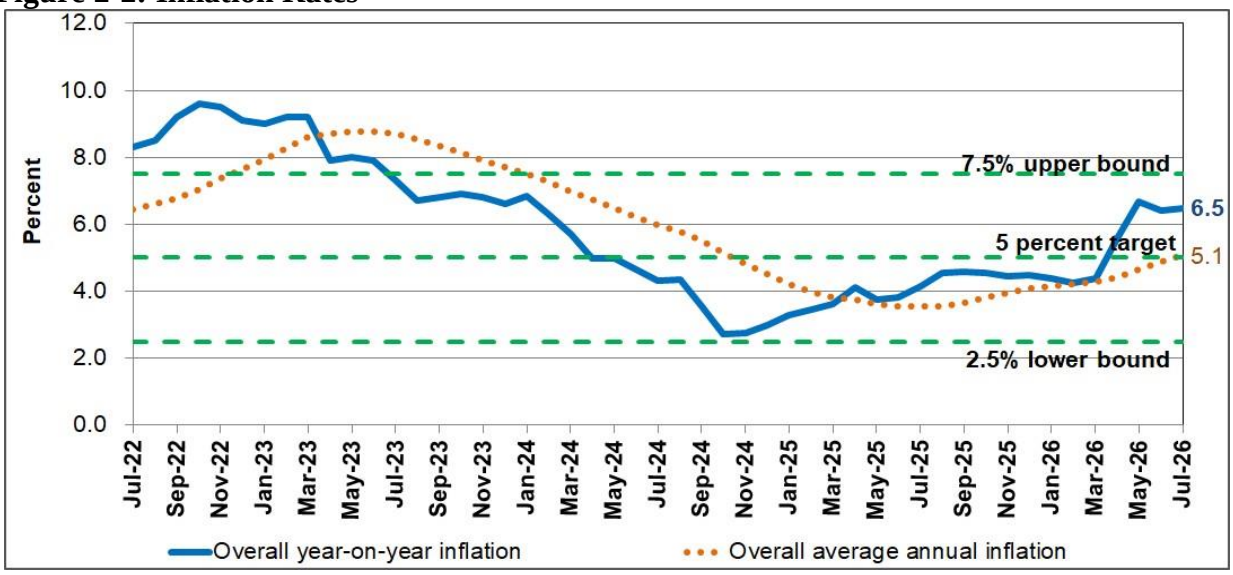
65. The information and communication sub-sector grew by 5.0 percent in the first quarter of 2026, compared to 5.5 percent in the corresponding quarter of 2025. The sub-sector's performance was supported by increased mobile voice traffic and higher international bandwidth utilization, reflecting continued growth in digital connectivity and communication services. However, overall growth moderated due to a decline in the use of SMS services and mobile money transactions, indicating evolving consumer preferences and payment patterns.

2.3 The Macroeconomic Environment

2.3.1 Inflation Developments

66. Overall inflation increased to 6.5 percent in July 2026 from 4.1 percent in July 2025 due to higher energy prices arising from the elevated global oil prices but remained within the target range of 5±2.5 percent. Core inflation remained stable at 3.2 percent in July 2026, compared to 3.1 percent in July 2025, supported by lower prices of selected manufactured food items, alongside stable prices in other nonvolatile components. In contrast, non-core inflation rose to 15.0 percent from 7.2 percent over the same period, largely driven by relatively higher to 15.0 percent from 7.2 percent over the same period, largely driven by relatively higher energy prices, transport costs and food prices.

Figure 2-2: Inflation Rates



Source of Data: Kenya National Bureau of Statistics

67. The financial and insurance sub-sector grew by 6.3 percent in the first quarter of 2026, compared to 5.3 percent in the corresponding quarter of 2025. The improved performance was supported by an accommodative monetary policy stance, reflected in lower policy and market interest rates, which reduced the cost of credit, improved liquidity conditions, and supported increased lending to the private sector

68. In April 2026, the Government implemented targeted stabilization measures to cushion consumers from the full impact of rising global fuel prices. These interventions included the use of resources from the Petroleum Development Levy Fund to subsidize fuel pump prices. In addition, through Legal Notice No. 70 of 2026, the Government reduced the VAT rate on petroleum products from 16 percent to 8 percent for an initial period of three months. In July 2026, the Cabinet Secretary extended the application of the reduced 8 percent VAT rate for a further three months through a Gazette Notice.

69. Subsequently, global oil prices eased following the 18th June 2026 interim ceasefire agreement between the United States and Iran, which reduced geopolitical tensions and improved confidence in global energy markets. The agreement supported the phased reopening of commercial shipping through the Strait of Hormuz, easing concerns over oil supply disruptions despite continued operational uncertainties. Consequently, crude oil prices declined by approximately 31.1 percent, from about USD 100.2 per barrel at the height of the conflict in late April 2026 to around USD

69.0 per barrel by late June 2026, reflecting improved supply expectations and lower geopolitical risk premiums. The decline in global oil prices, together with the Government's fuel stabilization measures, helped moderate domestic fuel prices and contributed to the easing of overall inflation from 6.7 percent in May to 6.4 percent in June 2026.

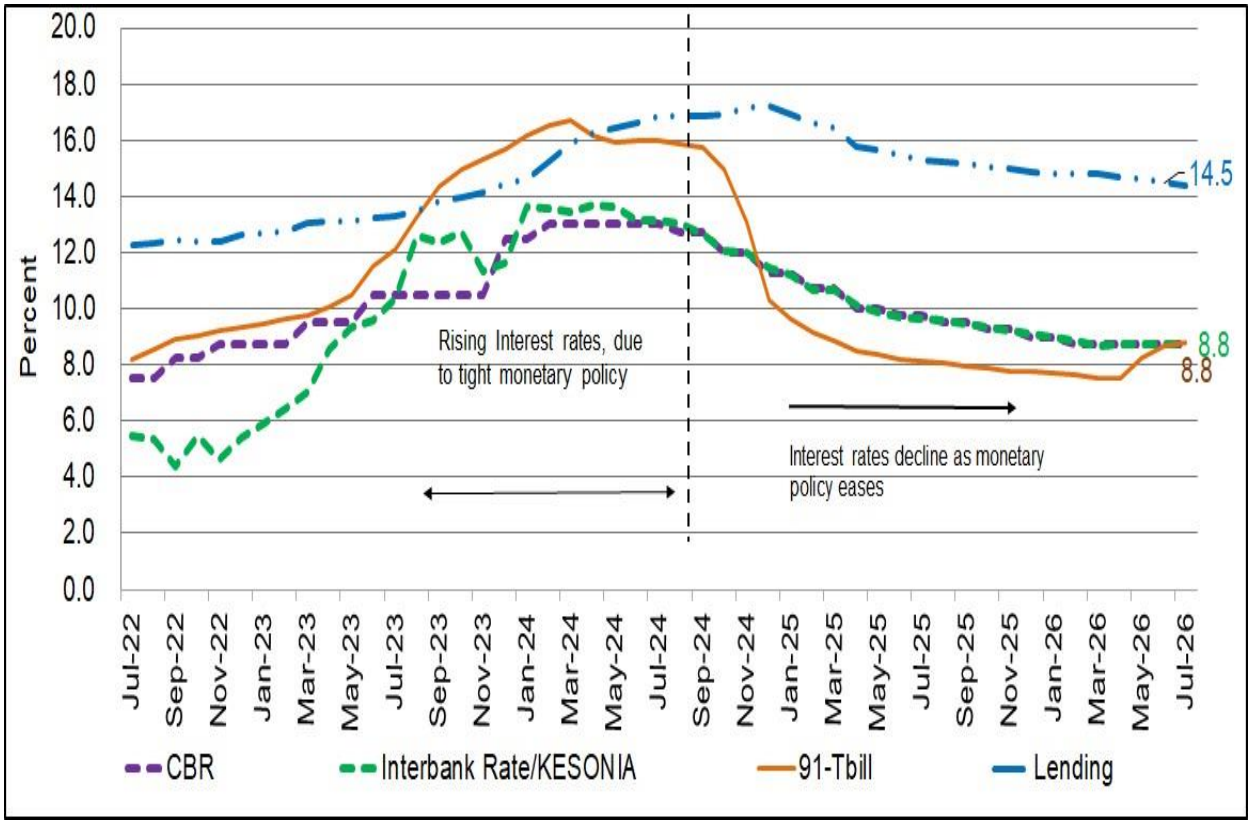
2.3.2 Interest Rates

70. The Central Bank of Kenya, through the Monetary Policy Committee (MPC), has progressively eased monetary policy, lowering the Central Bank Rate (CBR) from 13.0 percent in August 2024 to 8.75 percent by July 2026 **(Figure 3.2**). This stance is intended to reinforce earlier measures aimed at stimulating bank lending to the private sector and supporting economic activities, while ensuring inflation expectations remain well anchored and the exchange rate stable.

71. Short-term interest rates have declined. KESONIA (the overnight interbank rate) declined to 8.8 percent in July 2026 from 9.6 percent in July 2025. The decline signaled improved liquidity conditions in the interbank money market and lowering of banks' short-term funding costs, which supports credit expansion. Treasury bill rates remained relatively stable across maturities in the year to July 2026, although movements varied by tenor. The 91-day Treasury bill rate increased to 8.8 percent in July 2026 from 8.1 percent in July 2025, while the 182-day rate rose to 9.0 percent from 8.4 percent. In contrast, the 364-day rate declined to 9.0 percent from 9.7 percent over the same period. The mixed movement across maturities reflects prevailing market liquidity conditions and investor demand across the different maturities.

72. In line with the easing in monetary conditions, average commercial bank lending rates declined to 14.4 percent in June 2026 from 15.3 percent in June 2025, while average deposit rates also declined to 6.8 percent from 8.4 percent over the same period. As a result, the interest rate spread widened to 7.5 percent from 6.9 percent, reflecting the faster adjustment in deposit rates relative to lending rates.

Figure 2-3: Interest Rates



Source of Data: Central Bank of Kenya

2.3.3 Monetary and Credit Developments

73. Broad money supply, M3, grew by 11.3 percent in the year to June 2026, compared to a growth of 7.5 percent in the year to June 2025.The improved growth of M3 was driven by higher growth in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA). The NFA of the banking system grew by 32.9 percent in the year to June 2026, compared to a growth of 17.7 percent in the year to June 2025. The increase in NFA was mainly attributable to a rise in the Central Bank's foreign assets reflecting increased foreign reserves by the Central Bank. The net foreign assets of commercial banks also increased, reflecting increased deposits abroad.

Table 2-2: Money and Credit Developments (12 Months to June 2026, Kshs billion

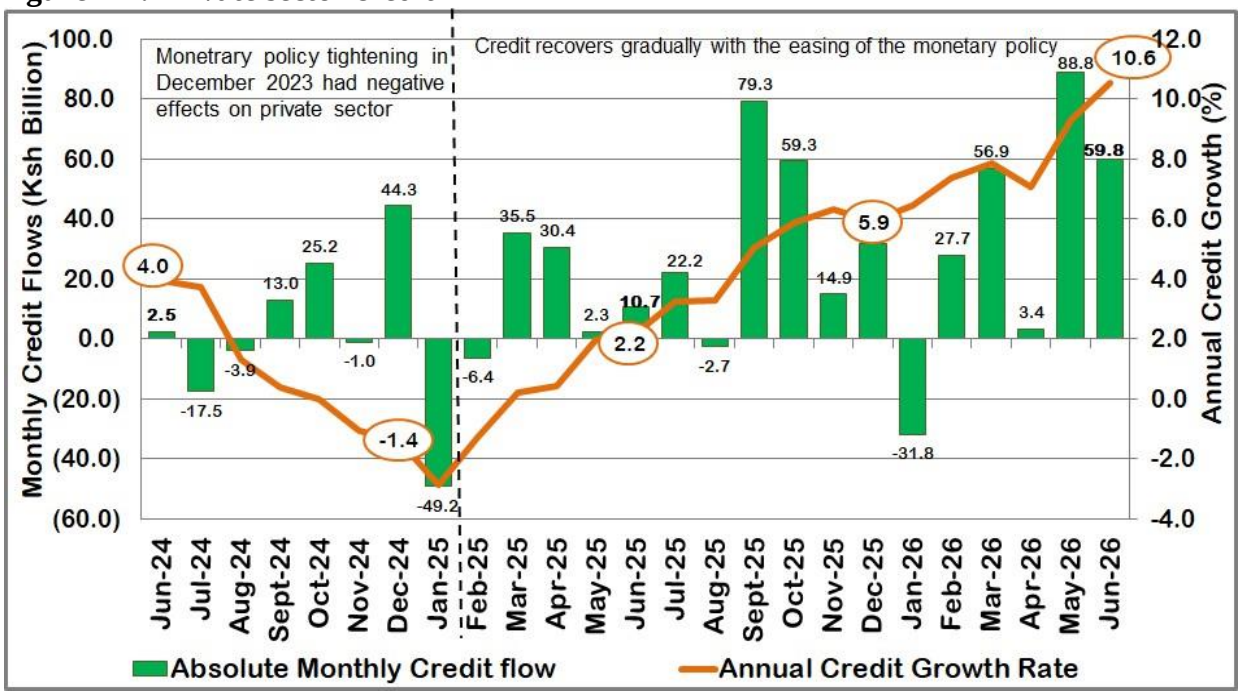
				Absolute Change		Percent Change	
	2024 June	2025 June	2026 June	2024-2025 June	2025-2026 June	2024-2025 June	2025-2026 June
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	2,063.6	2,342.3	2,670.0	278.7	327.7	13.5	14.0
1.1 currency outside banks (M0)	274.2	286.0	331.0	11.8	45.0	4.3	15.7
1.2 Demand deposits	1,630.6	1,880.4	2,216.6	249.8	336.2	15.3	17.9
1.3 Other deposits at CBK	158.9	175.9	122.4	17.0	(53.5)	10.7	(30.4)
2. Money supply, M2 (1+2.1)	4,041.6	4,519.6	5,015.1	478.0	495.5	11.8	11.0
2.1 Time and savings deposits	1,978.0	2,177.3	2,345.2	199.3	167.9	10.1	7.7
Money supply, M3 (2+3.1)	**5,381.3**	**5,786.5**	**6,437.6**	**405.2**	**651.2**	**7.5**	**11.3**
3.1 Foreign currency deposits	1,339.7	1,266.9	1,422.5	(72.8)	155.6	(5.4)	12.3
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	**905.9**	**1,066.3**	**1,417.5**	**160.4**	**351.2**	**17.7**	**32.9**
1.1 Central Bank	479.2	810.8	1,144.1	331.6	333.3	69.2	41.1
1.2 Banking Institutions	426.7	255.5	273.5	(171.2)	17.9	(40.1)	7.0
2. Net domestic assets (2.1+2.2)	**4,475.4**	**4,720.2**	**5,020.1**	**244.7**	**300.0**	**5.5**	**6.4**
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	5,502.0	6,172.4	6,696.0	670.4	523.6	12.2	8.5
2.1.1 Government (net)	1,619.5	2,230.1	2,351.8	610.6	121.7	37.7	5.5
2.1.2 Other public sector	84.9	61.4	53.6	(23.5)	(7.8)	(27.7)	(12.6)
2.1.3 Private sector	**3,797.5**	**3,880.9**	**4,290.6**	**83.4**	**409.7**	**2.2**	**10.6**
2.2 Other assets net	(1,026.6)	(1,452.2)	(1,675.9)	(425.7)	(223.6)	(41.5)	(15.4)

Source of Data: Central Bank of Kenya

74. Net Domestic Assets (NDA) improved to a growth of 6.4 percent in the year to June 2026, compared to a growth of 5.5 percent in the year to June 2025. Domestic credit extended by the banking system to the Government grew by 5.5 percent in the year to June 2026 compared to a growth of 37.7 percent over a similar period in 2025. The decreased net lending to government mainly reflected decreased uptake of government securities by commercial banks. Lending to net repayments by parastatals Growth in private sector credit from the banking system recorded a growth of 10.6 percent in the year to June 2026 compared to a growth of 2.2 percent in June 2025

75. Growth in credit to key sectors of the economy, particularly manufacturing, building and construction, transport and communication, real estate and agriculture remained strong, reflecting improved demand for credit in line with the declining lending interest rates. The Monthly (month on month) credit flows to the private sector improved to KShs 59.8 billion in June 2026 from KShs 10.7 billion in June 2025 due to the easing of the monetary policy stance to lower the cost of funds for banks and sustained demand particularly for working capital due to resilient economic activities.

Figure 2-4: Private sector credit



Source of Data: Central Bank of Kenya

2.3.4 External Sector Developments

76. Growth in private sector credit from the banking system recorded a growth of 10.6 percent in the year to June 2026 compared to a growth of 2.2 percent in June 2025 (Figure 11). Growth in credit to key sectors of the economy, particularly manufacturing, building and construction, transport and communication, real estate and agriculture remained strong, reflecting improved demand for credit in line with the declining lending interest rates. The Monthly (month on month) credit flows to the private sector improved to KShs 59.8 billion in June 2026 from KShs 10.7 billion in June 2025 due to the easing of the monetary policy stance to lower the cost of funds for banks and sustained demand particularly for working capital due to resilient economic activities.

77. The current account deficit widened to US$ 4,366.3 million (2.8 percent of GDP) in the year to June 2026, compared to US$ 2,585.3 million (1.9 percent of GDP) in the year to June 2025 mainly due to a higher trade deficit **(Table 3.5)**. The current account balance was supported by resilient goods exports, increased service receipts and an improvement in net primary income. The current account deficit in the 12 months to June 2026 was more than fully financed by financial account inflows.

78. The balance in the merchandise account deteriorated by US$ 1,888.3 million to a deficit of US$. 12,389.3 million In June 2026 mainly due to an increase in import bill that more than offset the increase in exports. Goods exports increased by 8.9 percent, driven by horticulture, tea, coffee, food, and machinery and transport equipment. Goods imports rose by 13.1 percent, reflecting higher imports of food, intermediate and capital goods and mineral fuels.

79. Services receipts increased by 8.3 percent, driven by transport and travel services receipts. The deficit on the primary account narrowed by US$ 226.3 million to a deficit of US$. 1,884.7 million in the year to June 2026, compared to the deficit of US$ 2,110.9 million in same period the previous year. Diaspora remittances decreased by 2.4 percent to US$ 4,960.4 million in the 12 months to June 2026 compared to US$ 5,084.1 million in a similar period in 2025.

80. The capital account balance decreased by US$. 90.4 million to register a surplus of US$ 159.9 million in the year to June 2026 compared to a surplus of US$ 250.3 million in the same period in 2025. Net financial inflows improved to US$ 6,092.1 million in the year to June 2026, compared to US$ 4,576.5 million in the year to June 2025. This reflected an increase in net financial liabilities, which more than offset the decline in net acquisition of financial assets. The net financial inflows were mainly in the form of Portfolio investments, direct investments, financial derivatives and other investments.

Table 2-3: Balance of Payments (USD Million)

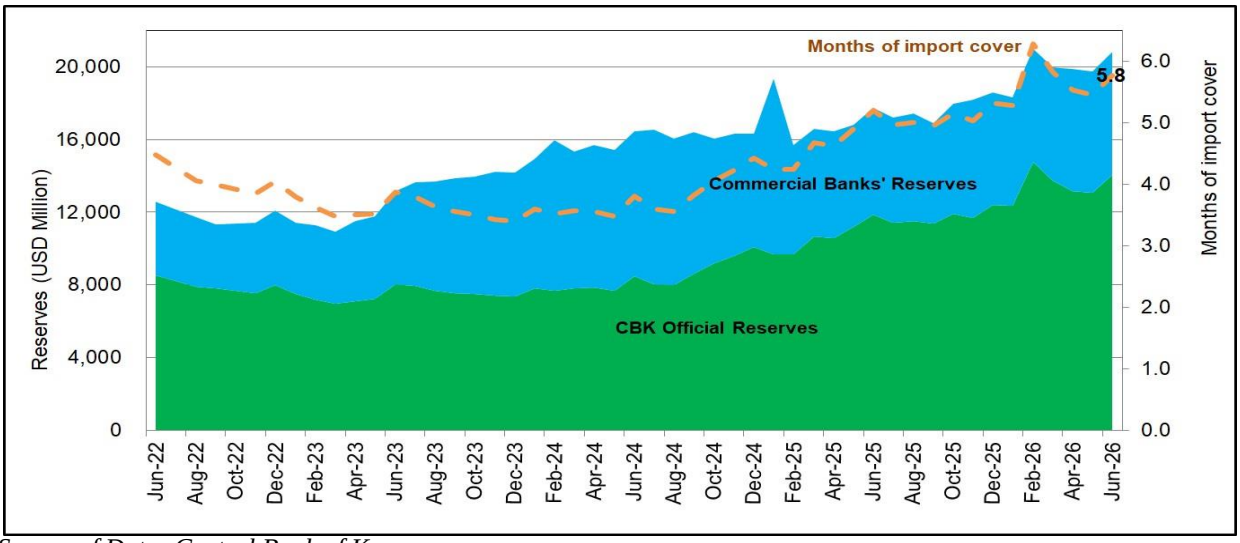
			Year to June 2026		Actuals as a Percent of GDP	
	Jun-25	Jun-26	Absolute Change	Percent Change	Jun-25	Jun-26
Overall Balance	**(2,830.8)**	**(1,509.4)**	**1,321.4**	**46.7**	**(2.1)**	**(1.0)**
A) Current Account	**(2,585.3)**	**(4,366.3)**	**(1,781.0)**	**(68.9)**	**(1.9)**	**(2.8)**
Merchandise Account (a-b)	(10,501.0)	(12,389.3)	(1,888.3)	(18.0)	(7.7)	(7.9)
a) Goods: exports	12,546.1	13,666.4	1,120.3	8.9	9.2	8.8
b) Goods: imports	23,047.0	26,055.6	3,008.6	13.1	16.9	16.7
Net Services (c-d)	2,417.2	2,558.1	141.0	5.8	1.8	1.6
c) Services: credit	8,190.5	8,873.3	682.8	8.3	6.0	5.8
d) Services: debit	5,773.3	6,315.1	541.8	9.4	4.2	4.2
Net Primary Income (e-f)	(2,110.9)	(1,884.7)	226.3	10.7	(1.6)	(1.3)
e) Primary income: credit	381.8	399.3	17.5	4.6	0.3	0.3
f) Primary income: debit	2,492.8	2,284.0	(208.8)	(8.4)	1.8	1.6
Net Secondary Income	7,609.4	7,349.5	(259.9)	(3.4)	5.6	4.9
g) Secondary income: credit	7,663.0	7,454.5	(208.5)	(2.7)	5.6	4.9
of which Remittances	5,084.1	4,960.4	(123.7)	(2.4)	3.7	3.3
h) Secondary income: debit	53.6	105.0	51.5	96.0	0.0	0.1
B) Capital Account	**250.3**	**159.9**	**(90.4)**	**(36.1)**	**0.2**	**0.1**
C) Financial Account	**(4,576.5)**	**(6,092.1)**	**(1,515.6)**	**(33.1)**	**(3.4)**	**(3.3)**

Source of Data: Central Bank of Kenya

2.3.5 Foreign Exchange Reserves

81. The banking system's foreign exchange holdings remained strong at US$. 20,795.4 million in June 2026 from US$. 17,199.4 million in June 2025. The official foreign exchange reserves held by the Central Bank stood at US$. 14,023.5 million compared to US$ 11,407.7 million over the same period in 2025. Commercial banks foreign exchange holdings increased to US$. 6,772.0 million in June 2026 from US$. 5,791.8 million in June 2025.The official reserves held by the Central Bank in June 2026 represented 5.8 months of import cover, compared to 5.0 months of import cover in June 2025. These reserves continue to provide adequate cover and a buffer against short-term shocks in the foreign exchange.

Figure 2-5: Foreign Exchange Reserves (USD Million

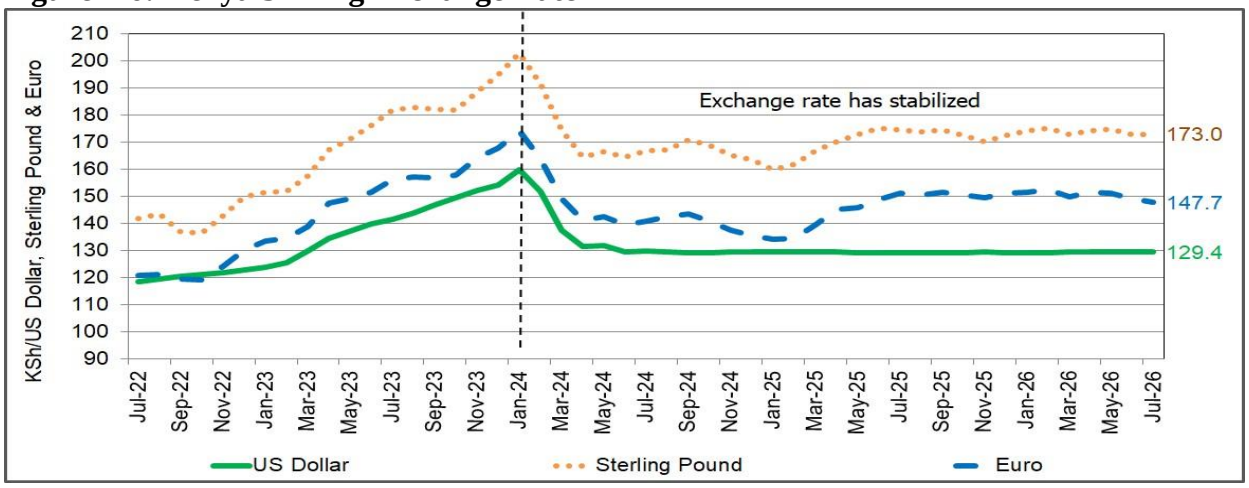


Source of Data: Central Bank of Kenya

2.3.6 Exchange rates Developments

82. The Kenya Shilling remained relatively stable against the US Dollar, averaging Kshs 129.4 per US dollar in July 2026 compared to Kshs 129.2 per US dollar in July 2025 and showing a marked appreciation from a peak of Kshs 160.8 in January 2024. The Shilling strengthened against the Sterling Pound, averaging Kshs 173.0 per Pound in July 2026, down from Kshs 174.6 per Pound in July 2025. Against the Euro, the Shilling also strengthened and averaged Kshs 147.7 per Euro in July 2026 compared to Kshs 151.0 per Euro in July 2025. The stability was supported by strong foreign exchange reserves, steady remittance and export inflows, and improved market confidence, which helped cushion the Shilling against excessive volatility.

Figure 2-6: Kenya Shilling Exchange Rate



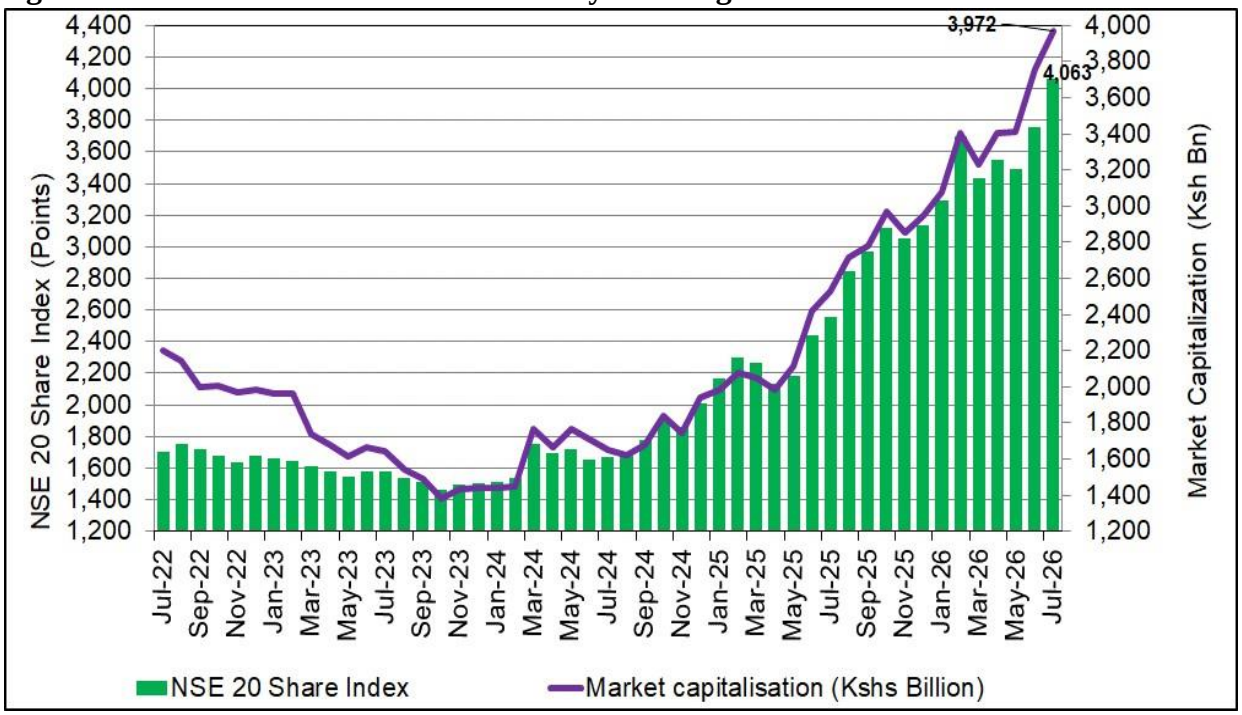
Source of Data: Central Bank of Kenya

2.3.7 Capital Markets Development

83. Activities at the Nairobi Securities Exchange (NSE) improved significantly over the past year, reflecting strengthened investor confidence and improved macroeconomic conditions. The NSE 20 Share Index rose by 58.8 percent to 4,063 points in July 2026 from 2,559 points in July 2025 crossing the 4000point mark for the first time in nearly a decade. Market capitalization increased by 57.4 percent to KShs. 3,972 billion from KShs. 2,524 billion over the same period. The strong performance was supported by lower domestic interest rates, a relatively stable exchange rate, improved corporate earnings, increased participation by domestic and foreign investors. The positive momentum continued into august 2026, with market capitalization surpassing the KShs.4 trillion mark for the first time.

84. Market activity was further supported by major capital market transactions, including the successful Kenya pipeline company (KPC) initial public offering (IPO) and the government's partial divestiture of a 15percent stake in Safaricom PLC to Vodacom, one of the largest capital market transactions in Kenya's history. Equity turnover increased by 242.6 percent to KShs.381.9 billion in the first seven months of 2026 compared to the corresponding period in 2025, while the volume of shares traded rose by 127.4 percent to 11.84 billion. These developments together with increased market liquidity and investor participation contributed to the strong performance of the equity market.

Figure 2-7: Performance of Nairobi Security Exchange



Source of Data: Nairobi Securities Exchange

2.4 Kenya's Macroeconomic Outlook

85. Kenya's economic growth outlook for 2026 has been revised downward to 5.0 percent from the earlier projection of 5.3 percent, reflecting the adverse effects of the ongoing Middle East conflict on domestic economic activity. The economy is, however, projected to maintain momentum in 2027, with growth expected at 5.1 percent as external pressures ease and global supply chains normalize.

86. In 2026, agricultural activity could moderate in the second and third quarters due to mixed weather conditions, but is expected to strengthen in the fourth quarter and beyond on account of the expected El Niño induced above average rainfall. Industrial sector is expected to remain robust, supported by the Affordable Housing Programme, ongoing infrastructure projects, including the Rironi-Mau summit road expansion, continued settlement of pending bills, and increased investment through Public-Private Partnerships (PPPs). Services are also expected to remain resilient, supported by continued digitization, sustained activity in key service sectors, and the lagged effects of monetary policy easing.

87. Despite the external shock, domestic demand is expected to remain resilient, supported by moderating inflation, monetary easing, strong remittance inflows and a relatively stable exchange rate. Lower borrowing costs are expected to support private sector credit, household consumption and investment, while easing production costs and improving investor confidence. However, higher fuel prices associated with the Middle East conflict are expected to exert upward pressure on inflation, although it is projected to remain within the 5±2.5 percent target range.

88.Private investment is expected to be further supported by reforms aimed at improving the business environment, reducing regulatory bottlenecks and enhancing market efficiency. Improved investor confidence and greater access to international markets, together with the strong performance of the Nairobi Securities Exchange (NSE), are expected to support capital mobilization and private sector investment. Public-Private Partnerships (PPPs) will continue to support infrastructure development and mobilize private capital. Ongoing reforms in State-owned Enterprises, including strategic privatization and divestiture, are also expected to improve efficiency, attract private capital and create fiscal space for priority development programmes.

89.Growth in public consumption is projected to moderate over the medium term, in line with the Government's fiscal consolidation efforts and measures to contain recurrent expenditure. In contrast, public investment is projected to increase, with resources increasingly directed towards high-impact development projects and priority Government programmes. The Government will also continue to leverage Public-Private Partnerships (PPPs) to mobilize private capital for major infrastructure projects, thereby supporting investment while reducing pressure on the public budget. Continued settlement of verified pending bills will further improve liquidity in the private sector, particularly in the roads sector, supporting business activity and investment.

90. The current account deficit is projected to widen from 2.1 percent of GDP in 2025 to 3.0 percent in 2026 before improving to 2.8 percent in 2027 amid heightened geopolitical tensions and higher energy-related import costs. Stronger import demand, associated with recovering investment activity and rising fuel costs, is expected to continue exerting pressure on external

balances. Nevertheless, export performance is expected to remain supported by agriculture, tourism, and manufactured goods exports, while remittance inflows should continue to provide an important source of foreign exchange. External financing conditions and reserves are expected to remain adequate, supported by a combination of official financing, portfolio inflows, and foreign direct investment, including inflows linked to ongoing privatization initiatives.

2.5 Risks to the Macroeconomic Outlook in the Country

91. The economic outlook remains subject to a range of downside risks, both domestic and external. Domestically, adverse weather conditions, including droughts, floods and erratic rainfall, could weaken agricultural production, disrupt food supply and increase inflationary pressures, with implications for household purchasing power and economic activity. Climate related damage to infrastructure could also increase public expenditure requirements and constrain resources available for development.

92. External risks remain significant, particularly from prolonged geopolitical tensions and disruptions to global energy and commodity markets. A sustained increase in international oil prices could raise domestic fuel and transport costs, widen the import bill and place upward pressure on inflation and the current account. Further disruptions to global supply chains or trade could increase the cost and availability of imported inputs, while tighter global financial conditions could raise external financing costs, weaken capital inflows and increase exchange rate pressures.

93. A sharper-than-expected slowdown in global economic activity could also reduce demand for Kenya's exports, tourism receipts and remittances, while weaker commodity prices could affect export earnings from key agricultural products. Financial market volatility and changes in global investor sentiment could further affect portfolio flows and domestic financial conditions. Domestically, weaker private investment, slower credit growth or delays in the implementation of key infrastructure and structural reform programmes could moderate the pace of economic expansion.

94. The Government will continue to monitor emerging risks closely and respond through timely and targeted policy measures, while maintaining fiscal discipline and advancing reforms that strengthen the economy's capacity to absorb shocks and sustain inclusive growth.

2.6 Recent Economic Developments in the County

95. Kwale County's economic growth has remained relatively moderate, with the latest KNBS GCP estimates indicating an average growth rate of 4.2 per cent over the 2020–2024 period. This compares with the national average GDP growth rate of 4.5 per cent over the same period. The County has been strengthening its own-source revenue (OSR) mobilization, including development of a Revenue Mobilization Strategy for FY2025/26.

96. Diani has remained a major economic anchor, with the County Government continuing to invest in beach-access roads, street lighting and floodlights to support tourism and a 24-hour economy, while tourism is increasingly being diversified beyond traditional beach tourism through the promotion of cultural tourism, community-based tourism and development of new tourist attraction centres. The upgrading of Ukunda Airstrip into a fully functional airport is also expected to improve accessibility and support tourist arrivals.

97. A major development was the arrival of the cruise ship MV SH Diana at Shimoni Port in October 2025, with more than 120 tourists visiting attractions including Kisite-Mpunguti Marine Park. This represents a new potential tourism market for southern Kwale. The Shimoni Fish Port**,** valued at about Kshs 2.6 billion, was completed in 2025. In March 2026, the national government formally opened the facility to investors under a landlord-model Private-Public Partnership PPP, with the objective of attracting private capital and expanding the fisheries value chain.

98. Kwale's marine and aquaculture economy continued to receive attention. A Kshs 1.88 billion National Mari-culture Resource and Training Centre (NAMARET) is being developed in the county, with a planned marine hatchery capable of producing up to five million marine larvae annually. The facility is intended to support seaweed, mangrove and other marine species production while providing training and research facilities.

99. The Counties' seaweed production increased by about 50%**,** although production continues to face challenges including weather conditions, predation, inadequate certified seed, limited storage and limited value addition. Sea weed farming in the county provides a reliable alternative source of income for the fishing and farming communities facing unpredictable weather patterns, climate change, and depleted fish stocks. Greater economic benefits are likely to be recouped if the communities move beyond selling raw dried sea weed to processing it into higher value products like soaps, shampoos and lotions.

100. The County is pursuing a Kshs 500 million County Aggregation and Industrial Park (CAIP) in Mwananyamala, Lungalunga**,** targeting commodities including cashew nuts, cassava and tomatoes. A fruit-processing plant in Shimba Hills is another component of the value-addition agenda. The establishment of a Special Economic Zone (SEZ) will boost economic activities in the county.

101. The Mwache Dam in Kinango Sub-County, has reached approximately 83% completion by May 2026. The Mwache Dam project will boost Kwale County's economy by supplying massive volumes of reliable water for domestic use, livestock and large-scale irrigation. The dam will irrigate between 6,300 and 7,000 acres of land reducing the reliance of rain fed-agriculture and generating substantial annual crop production. Construction and subsequent ancillary activities will provide jobs to thousands of local youths. Other associated local development frameworks include development of community water pans, upgrading of the local roads' infrastructure and educational facilities and the restoration of catchment areas which will improve the rural resilience.

102. The anticipated Mrima Hill mineral exploration and extraction will be a massive economic game changer, holding an estimated **Kshs 8.1 trillion** worth of untapped niobium and rare earth elements (REEs). The 157 -hectare site located in Lungalunga subcounty contains one of the largest undeveloped potential of critical minerals which are vital for manufacturing electric vehicles, smartphones, defense technologies and clean energy systems. The Kenyan Government has put strict conditions insisting on domestic processing which will boost local value addition. The National Government intends to build a regional processing hub to process the raw materials locally instead of exporting them. This would naturally link Mrima Hill with the Dongo Kundu Special Economic Zone creating a highly lucrative mine-to -port industrial corridor. The County

Government stands to gain revenues from the mining proceeds under the local mining laws(Mining Act 2016).

2.6.1 Risks to the County Economic Outlook and Mitigation Measures

103. Climate variability and drought: Climate variability remains a major risk to Kwale's economic outlook, particularly given the county's dependence on rain-fed agriculture and livestock. Recent drought conditions have affected household food security and livestock livelihoods, while irregular rainfall can reduce agricultural productivity, water availability and rural incomes. To mitigate this risk, the County will strengthen climate-smart agriculture, expand irrigation and water harvesting infrastructure, promote drought-resistant crops, improve early-warning and climate information systems, and strengthen preparedness and response mechanisms.

104. Declining mining activity and the post-mining transition: the closure of Base Titanium's Kwale mining operations represents a significant structural risk to the local economy, given the sector's contribution to employment, household incomes, local business activity and the wider mineral value chain. The final bulk shipment was made in 2025, with decommissioning and rehabilitation now underway. The County will mitigate this risk by accelerating economic diversification through tourism, agriculture and agro-processing, the blue economy, manufacturing and MSME development, while supporting skills development and enterprise opportunities for communities previously dependent on mining-related economic activity. The County will also work with relevant agencies to ensure that mine rehabilitation is undertaken in accordance with approved environmental requirements and that opportunities for productive post-mining land use are identified.

105. Dependence on national transfers and delays in fund disbursement: Delays and shortfalls in transfers from the National Treasury remain a significant fiscal risk because they can disrupt implementation of development projects, accumulation of pending bills and provision of services. The County's 2026 CFSP identified delays in National Treasury disbursements as a specific risk to programme implementation. The County will mitigate this by strengthening cash-flow management, prioritizing essential and ongoing projects, improving absorption of available resources, enhancing own-source revenue mobilization and reprioritizing and prudent expenditure management.

106. Rising personnel and other recurrent expenditures: Growth in the public-sector wage bill and other recurrent obligations may constrain resources available for development expenditure. This could reduce the County's fiscal space for infrastructure and economic development. The County will contain this risk through expenditure rationalization, strengthening payroll controls, aligning recruitment with approved staffing structures, improving productivity and prioritizing expenditure towards high-impact programmes and projects.

107. External economic and geopolitical shocks: Geopolitical tensions, disruptions to global supply chains, fluctuations in international oil prices and tighter global financial conditions could increase the cost of fuel, construction materials, agricultural inputs and other imports. Such shocks could also affect tourism, investment and household purchasing power. The County will mitigate these risks by promoting local production and value addition, strengthening domestic and regional markets, supporting MSMEs and maintaining prudent expenditure and procurement planning.

108. Weak agricultural productivity and food-price pressures: Agriculture remains vulnerable to climate shocks, high input costs, limited irrigation and inadequate value addition. Lower agricultural output can adversely affect household incomes while increasing food prices. The County will strengthen extension services, irrigation, agricultural input support, aggregation, and storage and market linkages, while promoting value addition for priority commodities such as cassava, rice, coconut, cashew nuts, and horticultural produce and livestock products.

109. Tourism-sector vulnerability: Although tourism remains a key economic driver, the sector is exposed to international economic conditions, travel disruptions, insecurity perceptions, climate events and changing tourist preferences. The County will mitigate this risk by diversifying tourism products beyond beach tourism through cultural, eco-, community-based and marine tourism, strengthening destination marketing, improving tourism infrastructure and supporting local enterprises to increase the retention of tourism income within the county.

110. Slow diversification and limited value addition: The County’s economic transformation may be constrained if primary agricultural, fisheries and mineral products continue to be sold with limited processing. The County will promote agro-processing, fisheries and marine-product

processing, the County Aggregation and Industrial Park, MSMEs and public-private partnerships to increase local value addition, create employment and broaden the county's economic base.

111. Infrastructure and project implementation constraints: Delays in project financing, procurement, land acquisition, technical preparation and completion of supporting infrastructure may reduce the economic benefits expected from major investments. The County will strengthen project preparation, including feasibility studies, designs and Bills of Quantities; improve procurement planning; prioritize ongoing projects; strengthen project monitoring; and enhance coordination with national government and development partners on major infrastructure investments.

112. The implementation of Electronic Government Procurement (e-GP) in the county faces a number of challenges including technical, operational and institutional bottlenecks which have slowed down full adoption and service delivery. The early roll out of the e-GP system coupled with budget upload restrictions has led to delays in undertaking of essential recurrent expenditures. Weak internet infrastructure and frequent system downtimes have further disrupted procurement processes. Operational hurdles have been experienced due to the difficulties in fully linking the e-GP platform with the Integrated Financial Management Information System (IFMIS) and budget platforms. The situation has been aggravated by the **legal push back** due to disagreements between county governors and the National Treasury. Further court petitions and conservatory orders challenging the mandatory and abrupt nature of the roll out have created a fragmented transition environment.

113. Climate-related risks also remain significant for Kwale County. The County is among the counties which have been identified as risk regions to be adversely affected by the El Nino rains which are expected to begin in the first and second weeks of October and continue through to the first and second weeks of December. Droughts, floods, coastal erosion and other extreme weather events may adversely affect livelihoods and economic activities, particularly agriculture, livestock, fisheries and tourism, while simultaneously increasing demand for public services and emergency interventions. The County Disaster Management Committee convened an EL Nino preparedness and sensitization forum which brought together Senior Government officials, Members of the County Assembly and other stakeholders to examine the county’s readiness and identify areas

requiring urgent intervention. Among the areas requiring urgent attention include the Likoni-Lungalunga road which becomes impassable during heavy rainfall at around the Ramisi area (The Ramisi bridge overflooding) while Vanga, Pongwe-Kikoneni and all other wards along the coastline remain highly vulnerable to flooding.

114. To mitigate these risks, the County Government will strengthen cash-flow forecasting and expenditure controls, improve revenue collection and enforcement, diversify the local revenue base, prioritize essential services, strengthen project appraisal and monitoring, and integrate climate resilience into development planning. The County will also maintain close engagement with the National Treasury, the Office of the Controller of Budget and other relevant stakeholders to promote predictable financing and effective implementation of approved programmes.

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

CHAPTER FOUR: RESOURCE ALLOCATION FRAMEWORK

4.0 Overview

116. This chapter outlines the resource allocation framework, detailing proposed fund distribution across sectors and departments. It highlights the fiscal projections for the next financial year FY2027/2028 and the medium term. Further, it incorporates preliminary spending ceilings under the Medium-Term Expenditure Framework FY 2026/2027- 2028/2029.

4.1. Implementation of the FY2026/27 Budget

117. In the current financial year FY 2026/27, implementation of the County budget is expected to be influenced by a number of fiscal, administrative, and operational factors. These include the timely disbursement of equitable and the additional allocations, performance of own-source revenue, management of pending bills, addressing the procurement bottlenecks (e-GP system) and the county's capacity to absorb development funds. Delays in the release of funds and procurement processes may affect the timely implementation of planned programmes and projects, particularly those requiring substantial financial commitments. The County Government will therefore continue to strengthen financial planning, procurement processes and expenditure management to minimize disruptions in service delivery.

118. In the **FY 2026/27**, Kwale County's total budget is projected at **Kshs. 18.77 billion**, inclusive of additional allocations as well as provisions relating to verified commitments and pending bills brought forward. Own-source revenue is projected at Kshs. 560.26 million, representing approximately 2.98 percent of the total budget, while the Facility Improvement Fund (FIF) is estimated at Kshs. 480 million equivalent to approximately 2.56 percent of total revenues. Total expenditure is projected at Kshs. 18.77 billion, comprising Kshs. 9.29 billion (49.5 percent) for recurrent expenditure and Kshs. 9.48 billion (50.50 percent) for development programmes. Recurrent expenditure includes approximately Kshs. 4.32 billion (46.5 percent of the Total Budget) for personnel emoluments and Kshs. 4.97 billion (53.50 ppercent) for operations and maintenance.

119. To enhance effective implementation of the FY 2026/27 budget, the County Government of Kwale will prioritize prudent cash-flow management and timely procurement. The County will also strengthen own-source revenue collection through improved revenue administration, digitization of revenue systems, widening of the revenue base and enhanced compliance. Priority will be given to essential services and projects with high socio-economic impact, including ward-based development initiatives under health, water, roads, agriculture and other programmes aligned to the County Integrated Development Plan (CIDP) 2023-2027 and Annual Development Plan (ADP) for FY 2026/2027.

120. The County Government will further strengthen management of pending bills and commitments to ensure that available resources are directed towards approved priorities while avoiding accumulation of new arrears. Monitoring and evaluation of programmes and projects will be enhanced to improve accountability, measure results and facilitate timely corrective action. The County Government will enhance engagement with the National Treasury and the Office of the Controller of Budget on matters relating to cash-flow management, fund disbursement and budget implementation. Regular financial and programme implementation reports, public participation and citizen feedback mechanisms will also be used to promote transparency, accountability and effective utilization of public resources.

4.2 Fiscal Policy for FY2027/2028 and Medium-Term Budget

121. The fiscal policy for FY 2027/28 and the medium term will focus on strengthening fiscal sustainability, improving revenue mobilization, enhancing expenditure efficiency and reducing the county's vulnerability to fluctuations in intergovernmental transfers. The County Government will seek to progressively increase its own-source revenue while ensuring that revenue projections remain realistic, achievable and consistent with the local economic environment. Particular attention will be given to improving revenue administration, minimizing revenue leakages and expanding the revenue base through the following strategies:

i. Strengthening Own-Source Revenue (OSR) through continued automation, integration and improvement of county revenue collection systems across all revenue streams.

ii. Undertaking comprehensive revenue mapping and regular revenue audits to identify potential, under-collected and emerging revenue sources, including business permits, market fees,

agricultural produce cess, parking fees, land-related revenues, property rates, building approvals, tourism-related activities and other lawful county revenue streams;

iii. Strengthening enforcement and compliance mechanisms through improved monitoring, taxpayer sensitization, regular inspections and proportionate enforcement measures against persistent non-compliance and revenue leakage.

iv. Building the capacity of revenue officers through continuous training, provision of appropriate tools and strengthening of internal controls to improve revenue collection, accountability and service delivery.

v. Improving revenue forecasting and planning by adopting evidence-based forecasting methods that take into account historical collection trends, economic conditions, population growth, seasonal activities and the actual revenue-raising potential of the County.

vi. Progressively increasing the contribution of OSR to the County's total revenue, while ensuring that annual targets are based on realistic collection capacity and do not impose an excessive burden on households, businesses and other local economic actors.

122. On the expenditure side, the County Government will pursue a prudent expenditure policy aimed at improving value for money, strengthening fiscal discipline and directing available resources towards priority programmes with the greatest impact on residents. Expenditure management will focus on controlling non-essential spending, strengthening commitment controls and ensuring that resources are aligned with the County Integrated Development Plan (CIDP), Annual Development Plan (ADP) and other approved planning instruments. The key measures will include:

i. Maintaining an appropriate balance between recurrent and development expenditure in accordance with the principles of fiscal responsibility and the County's service delivery obligations.

ii. Rationalizing recurrent expenditure by controlling non-core expenditures, improving procurement efficiency and reducing avoidable administrative costs while safeguarding essential services.

iii. Prioritizing allocations to key service delivery sectors, particularly health, water, agriculture, roads and infrastructure, education and other programmes that contribute directly to improved livelihoods and socio-economic development.

iv. Strengthening the management of pending bills and commitments by verifying outstanding obligations, prioritizing settlement of legitimate bills and preventing accumulation of new arrears.

v. Fully and systematically implementing the electronic Government Procurement (e-GP) system in accordance with national requirements, while strengthening procurement planning, contract management and monitoring to improve transparency, competition, efficiency and timely implementation of programmes.

vi. Strengthening expenditure controls and financial accountability through improved commitment control, regular budget monitoring, timely reporting and adherence to approved budgets.

vii. Protecting resources for essential and high-priority services to minimize the impact of delayed exchequer releases, revenue shortfalls, inflation, climate-related shocks and other fiscal risks.

viii. Strengthening monitoring and evaluation of expenditure and development projects to ensure that allocated resources generate measurable outputs and outcomes and that corrective measures are taken where implementation is below expectations.

123. Over the medium term, the County Government will pursue a fiscal policy that balances revenue enhancement with affordability, expenditure control with quality service delivery, and development investment with fiscal sustainability. The County Government will continue to engage the National Government, development partners and other stakeholders to mobilize additional resources for priority programmes while strengthening transparency, accountability, public participation and prudent management of public finances.

4.3 Medium-Term Fiscal Projections

124. In the coming financial year (FY) 2027/28, the County Government of Kwale projects total revenues of approximately **Kshs. 10.63 billion**, excluding grants and other resources that may become available during the financial year. The projection comprises an equitable share of approximately **Kshs. 9.57 billion**, Own Source Revenue (OSR) of about **Kshs. 560 million**, and Facility Improvement Fund (FIF) revenues estimated at **Kshs. 492 million**. The County will

continue to strengthen revenue administration and collection while ensuring that revenue targets are based on realistic and achievable projections.

125. The County will also prioritize the reduction and settlement of verified pending bills and outstanding commitments to improve cash-flow management and create adequate fiscal space for implementation of priority programmes. Expenditure will be aligned with the available resource envelope and the principles of fiscal responsibility under the Public Finance Management framework. Priority will be given to essential service delivery and high-impact development programmes while controlling non-essential recurrent expenditures.

Table 4-1: Medium Term Fiscal Projections FY 2026/2027 – FY 2029/2030(Amount in Ksh million)

Revenue/Expenditure Item (Kshs. Million)	FY2026/27 Approved Budget	FY2027/28 CBROP	FY2028/29 CBROP	FY 2029/2030 CBROP
Total Revenue	**10,373**	**10,633**	**10,898**	**11,170**
Equitable Share	9,333	9,567	9,805	10,050
Own Source Revenue	560	574	588	603
Facility Improvement Fund (AIA)	480	492	504	517
Total Expenditure	**10,373**	**10,633**	**10,898**	11,171
Recurrent Expenditure	6,765	7,443	7,629	7,820
Personnel Emoluments	4,339	4,447	4,559	4,673
Operations & Maintenance	2,426	2,996	3,070	3,147
Development Expenditure	3,608	3,190	3,270	3,351

126. The medium-term fiscal projections have been revised to consider the County's recent fiscal performance, projected resources availability, emerging expenditure pressures and the need to maintain fiscal sustainability. Over the medium term, County revenues are expected to increase gradually, supported by growth in equitable share transfers, improved own source revenue collection and efforts to mobilize additional lawful revenue sources. The County will adopt a cautious approach to revenue forecasting and will continuously review its projections in response to changes in the national economic environment, intergovernmental transfers, and local revenue performance. OSR is expected to grow progressively through improved automation, revenue mapping, enforcement, taxpayer engagement and reduction of revenue leakages.

127. Over the medium term, expenditure will be managed within the available resource envelope, with priority given to programmes that have a direct impact on the welfare and socio-economic development of Kwale residents. Key sectors will include health, water, agriculture, roads and infrastructure, education, urban development and climate-resilient programmes. Development expenditure will be ring- fenced as far as possible while maintaining adequate resources for essential recurrent operations and service delivery.

128. The County Government will progressively reduce verified pending bills and strengthen commitment controls to prevent the accumulation of new arrears. Own Source Revenue will be enhanced to reduce over-reliance on equitable share transfers. Digital revenue collection systems improved financial management, electronic procurement and stronger internal controls will be critical in improving transparency, accountability, efficiency, and value for money.

129. The County Government will align expenditure commitments with available resources and the medium-term fiscal framework. Priority will be given to essential recurrent obligations and high-impact development programmes in key sectors including **health, water and sanitation, agriculture, roads and infrastructure, education, urban development, and environmental and climate resilience initiatives**. For FY2027/28, development expenditure is projected at approximately **Kshs. 9.484 billion**, while recurrent expenditure is projected at **Kshs. 9.289billion**. The County will therefore focus on progressively improving the composition and quality of expenditure rather than relying on a fixed recurrent-to-development ratio. Expenditure rationalization will include control of personnel and operational costs, elimination of non-priority expenditure, strengthening of commitment controls, and verification and phased settlement of eligible pending bills.

130. The County Government remains committed to fiscal discipline and sustainability by ensuring that expenditure is aligned to realistically available resources and approved budgets. The County will strengthen public financial management systems, enhance procurement planning and contract management, and continue implementing the **electronic Government Procurement (e-GP) system** to improve transparency, efficiency, competition and accountability in public procurement. Timely disbursement of equitable share and other approved transfers improved local revenue performance, effective cash-flow management, and climate-responsive budgeting will remain critical to mitigating fiscal risks and sustaining service delivery over the medium term.

4.4 Criteria for Resources Allocation

131. In order to ensure equitable, efficient, transparent and accountable utilization of public resources, the County Government of Kwale will apply the following criteria in allocating resources during **FY2027/28 and the medium term**:

i. Funding will prioritize programmes and projects aligned to the **CIDP 2023–2027, the FY 2027/2028 County Annual Development Plan (CADP) and the 2027 County Fiscal Strategy Paper (CFSP).**

ii. Mandatory and essential obligations, including salaries, statutory payments, critical service delivery costs and verified pending bills, will be adequately provided for before undertaking new discretionary commitments.

iii. Ongoing projects, stalled projects with demonstrated value, flagship programmes and ward-based development initiatives will be prioritized over new projects, subject to availability of resources and implementation readiness.

iv. Resource allocation will promote equitable development across all wards and sub-counties, with particular attention to marginalized areas, vulnerable populations, and communities with significant service-delivery gaps.

v. Priority will be given to programmes and projects demonstrating high socio-economic impact, value for money, cost-effectiveness, sustainability and, where appropriate, potential to enhance the County's revenue base.

vi. Resources will support programmes that promote environmental sustainability, climate resilience, disaster risk reduction and adaptation to climate-related shocks affecting agriculture, livestock, fisheries, water resources, infrastructure, and livelihoods.

vii. Departments and agencies demonstrating adequate implementation readiness, realistic costing, sound project design and capacity to absorb allocated resources will receive priority.

viii. Public participation, citizen priorities, stakeholder feedback and the findings of monitoring and evaluation will inform the final prioritization and allocation of resources.

132. In line with these resource allocation criteria, the Sector Working Groups (SWGs) will be required to align their budget proposals with the **CIDP 2023-2027, the FY2027/28 CADP, CFSP priorities and other approved planning frameworks**. SWGs will focus on ongoing and high impact programmes and projects while rationalizing budget proposals to ensure value for money, avoid duplication and improve the efficiency of public expenditure. Proposals will be supported by realistic costing, clear implementation schedules, measurable outputs, and credible timelines. SWGs will also integrate cross-cutting considerations, including equity, gender and social inclusion, environmental sustainability, climate resilience and disaster preparedness, while ensuring that citizen and stakeholder views arising from public participation are reflected in the budget proposals.

133. Going forward, the County Treasury will continue to provide expenditure ceilings, technical guidance, and resources allocation frameworks to Sector working groups(SWGs) to ensure that departmental proposals remain consistent with the County's fiscal capacity and medium-term expenditure priorities. Greater emphasis will be placed on strengthening budget monitoring and review, improving absorption of development funds, enhancing commitments controls, and preventing the accumulation of new pending bills. The County Government will also strengthen revenue mobilization and digital revenue management, improve procurement efficiency through e-GP, and enhance project monitoring and evaluation. These measures will support greater efficiency, inclusivity, equity, transparency, and accountability in the utilization of public resources and improve the quality and sustainability of service delivery to the residents of Kwale County.

Table 4-2: Medium Term Department/Sector Ceilings, FY 2026/27- FY 2029/30(Amount in Kshs)

Department/Sector	Expenditure Category	Approved Budget FY2026/27	CBROP 2026 FY2027/28	Projected Ceiling FY2028/29	Projected Ceiling FY2029/30
3061 Finance and Economic Planning	**Sub-Total**	**787,887,361**	**595,784,571**	**610,679,185**	**625,946,165**
	Recurrent	735,896,948	545,784,571	559,429,185	573,414,915
	Development	51,990,413	50,000,000	51,250,000	52,531,250
3062 Agriculture, Livestock and Fisheries	**Sub-Total**	**577,244,165**	**305,937,976**	**313,586,425**	**321,426,086**
	Recurrent	70,350,223	55,937,976	57,336,425	58,769,836
	Development	506,893,942	250,000,000	256,250,000	262,656,250
3063 Environment and Natural Resources	**Sub-Total**	**1,416,232,994**	**311,385,889**	**319,170,537**	**327,149,800**
	Recurrent	119,238,805	86,385,889	88,545,537	90,759,175
	Development	1,296,994,189	225,000,000	230,625,000	236,390,625
3064 Curative and Rehabilitative Health Services	**Sub-Total**	**2,187,713,643**	**834,825,057**	**855,695,684**	**877,088,076**
	Recurrent	1,508,759,306	624,825,057	640,445,684	656,456,826
	Development	678,954,337	210,000,000	215,250,000	220,631,250
3065 County Assembly	**Sub-Total**	**1,352,636,324**	**875,305,556**	**897,188,195**	**919,617,900**
	Recurrent	675,305,556	675,305,556	692,188,195	709,492,900
	Development	677,330,768	200,000,000	205,000,000	210,125,000
3066 Trade and Cooperative Development	**Sub-Total**	**618,453,135**	**218,248,297**	**223,704,505**	**229,297,117**
	Recurrent	76,832,014	49,748,297	50,992,005	52,266,805
	Development	541,621,121	168,500,000	172,712,500	177,030,313
3067 Social Services and Talent Management	**Sub-Total**	**504,380,495**	**261,423,459**	**267,959,046**	**274,658,022**
	Recurrent	131,728,234	57,423,459	58,859,046	60,330,522
	Development	372,652,261	204,000,000	209,100,000	214,327,500
3068 County Executive Services	**Sub-Total**	**73,671,580**	**44,634,677**	**45,750,543**	**46,894,307**
	Recurrent	73,671,580	44,634,677	45,750,543	46,894,307
	Development	0	0	0	0
3069 Education	**Sub-Total**	**1,378,014,840**	**913,440,270**	**936,276,276**	**959,683,183**
	Recurrent	694,516,571	628,040,270	643,741,276	659,834,808
	Development	683,498,269	285,400,000	292,535,000	299,848,375
3070 Water Services	**Sub-Total**	**1,106,289,765**	**465,414,267**	**477,049,624**	**488,975,864**
	Recurrent	108,575,424	65,414,267	67,049,624	68,725,864
	Development	997,714,341	400,000,000	410,000,000	420,250,000
3071 Infrastructure and Public Works	**Sub-Total**	**2,382,496,347**	**540,558,081**	**554,072,033**	**567,923,834**
	Recurrent	199,585,458	65,558,081	67,197,033	68,876,959
	Development	2,182,910,889	475,000,000	486,875,000	499,046,875
3072 ICT and Tourism	**Sub-Total**	**172,031,326**	**100,373,516**	**102,882,854**	**105,454,926**
	Recurrent	96,211,084	42,373,516	43,432,854	44,518,676
	Development	75,820,243	58,000,000	59,450,000	60,936,250

3073 County Public Service Board	**Sub-Total**	**60,389,462**	**47,926,972**	**49,125,146**	**50,353,275**
	Recurrent	60,389,462	47,926,972	49,125,146	50,353,275
	Development	0	0	0	0
3074 Public Service and Administration	**Sub-Total**	**4,578,629,056**	**4,177,659,504**	**4,282,100,991**	**4,389,153,516**
	Recurrent	4,167,111,413	4,128,559,504	4,231,773,491	4,337,567,829
	Development	411,517,643	49,100,000	50,327,500	51,585,688
3075 Kwale Municipality	**Sub-Total**	**226,917,030**	**175,777,313**	**180,171,746**	**184,676,040**
	Recurrent	39,171,750	25,777,313	26,421,746	27,082,290
	Development	187,745,280	150,000,000	153,750,000	157,593,750
3076 Diani Municipality	**Sub-Total**	**390,979,683**	**161,893,278**	**165,940,610**	**170,089,125**
	Recurrent	50,787,027	41,893,278	42,940,610	44,014,125
	Development	340,192,656	120,000,000	123,000,000	126,075,000
3077 County Attorney	**Sub-Total**	**147,205,769**	**33,690,812**	**34,533,083**	**35,396,410**
	Recurrent	147,205,769	33,690,812	34,533,083	35,396,410
	Development	0	0	0	0
3078 Lungalunga Municipality	**Sub-Total**	**99,495,053**	**119,577,330**	**122,566,763**	**125,630,932**
	Recurrent	24,934,519	19,577,330	20,066,763	20,568,432
	Development	74,560,534	100,000,000	102,500,000	105,062,500
3079 Kinango Municipality	**Sub-Total**	**133,998,941**	**123,388,287**	**126,472,994**	**129,634,819**
	Recurrent	40,527,525	23,388,287	23,972,994	24,572,319
	Development	93,471,416	100,000,000	102,500,000	105,062,500
3080 Preventive and Promotive Health Services	**Sub-Total**	**578,418,088**	**325,989,382**	**334,139,117**	**342,492,595**
	Recurrent	268,281,828	181,019,034	185,544,510	190,183,123
	Development	310,136,260	144,970,348	148,594,607	152,309,472
GRAND TOTAL	**Total Expenditure**	**18,773,085,056**	**10,633,234,494**	**10,899,065,356**	**11,171,541,990**
	Recurrent Expenditure	**9,289,080,495**	**7,443,264,146**	**7,629,345,750**	**7,820,079,393**
	Development Expenditure	**9,484,004,562**	**3,189,970,348**	**3,269,719,607**	**3,351,462,597**

CHAPTER FIVE: CONCLUSION AND NEXT STEPS

134. The development of the 2026 C-BROP has shed light on how the budget execution for FY 2025/26 has influenced the financial goals outlined in the 2026 County Fiscal Strategy Paper. Key insights aim to enhance revenue generation and address ongoing challenges that hinder the execution of the development budget. To improve outcomes, the County Treasury recommends close monitoring of the implementation of the FY 2026/2027 budget by analyzing quarterly expenditures against the approved budget. Additionally, providing timely financial guidance to County Government departments is crucial for effective budget management.

135. Further recommendations provided by this 2026 C-BROP include: -

i. **Enhance Revenue Collection**: Implement strategies to diversify and strengthen revenue sources, ensuring they are maximized and efficiently managed. Fast tracking the preparation of the income and pricing policy and the enactment of the 2026 Finance Act.
ii. **Regular Monitoring**: Establish a robust system for quarterly budget reviews to ensure that expenditures align with the approved budget, addressing challenges and enabling proactive adjustments.
iii. **Streamline Procurement Processes**: Identify and eliminate bottlenecks in the e-GP system to ensure timely processes to facilitate smoother execution of the budget FY 2026/2027.
iv. **Financial Management Training**: Provide ongoing financial management training for County Government departments to enhance their capacity on expenditure management
v. **Timely Reporting**: Ensure that financial reports are generated and communicated promptly to support informed decision-making.

136. The county fiscal performance for FY 2025/2026 and the revised macroeconomic forecast have led to the proposal of expenditure ceilings for various sectors and departments. These preliminary ceilings also reflect the priorities outlined in the Annual Development Plan for FY2027/2028. The indicative ceilings and the strategic priorities will be finalized in the forthcoming County Fiscal Strategy Paper in February 2027.

REVISED COUNTY BUDGET CALENDAR FOR THE FINANCIAL YEAR 2027/2028			
No	**Activity**	**Responsibility**	**Deadline**
1	**Develop and issue MTEF Guidelines**	County Treasury	23-July-26
2	**Review of Implementation of the CIDP III 2023-2027**	Departments	31-July-26
2.1	Review and update of Strategic Plans	,,	,,
2.2	Review of programme outputs and outcomes in the CIDP III-2023-2027	,,	,,
2.3	Expenditure Review for FY 2023/2024- FY 2025/2026	,,	,,
3	**Preparation of County Annual Development Plan (CADP)**		
3.1	Departments submit draft C ADP Report to County Treasury	County Treasury	10-Aug-26
3.2	Public participation for the draft County Annual Development Plan 2027-28	County Treasury	17-21Aug-26
3.3	Submit Final CADP FY2O27/2028 to County Executive Committee	County Treasury	25-Aug-26
3.4	Submit Proposed CADP FY2O27/2028 to County Assembly		1-Sep-26
4	**Preparation of County Budget Review and Outlook Paper(C-BROP), 2026**		
4.1	Review of Sector Performance Review Reports	County Treasury	15-Sep-26
4.2	Draft C- BROP	County Treasury	25-Sep-26
4.3	Submit C-BROP to County Executive Committee for approval	County Treasury	30-Sep-26
4.4	Submit C-BROP to County Assembly	County Treasury	21-Oct-26
5	**Preparation of the Medium-Term Expenditure Framework Budget Proposals by Sectors Working Groups**		
5.1	Draft Sector Reports by SWGs	County Treasury	30- Oct- 26
5.2	Submission of sector reports to the County Executive Committee	County Treasury	By 30th Nov-26
5.3	Adoption of sector reports by County Executive Committee	County Secretary	3rd –Dec- 26
6	**Preparation of 2027 County Fiscal Strategy Paper (C-FSP)**		
6.1	Draft CFSP	County Treasury	7th Dec- 26
6.2	Convene Public hearings on the CFSP FY 2027/2028	County Treasury	14-18-Dec-26
6.3	Review and Consolidation of views on the Draft CFSP FY 2027/2028	County Treasury	31 Dec-26
6.4	Submission of Proposed CFSP to County Executive Committee for approval	County Treasury	8-Jan-27
6.5	Submission of Approved CFSP FY 2023/2024 to County Assembly	County Treasury	15-Jan-27
7	**Preparation of MTEF Budget Estimates for FY 2027/2028**		
7.1	Issue Final Guidelines on preparation of the Budget	County Treasury	5-Feb-27
7.2	Submission of Budget proposals to the County Treasury	Departments	15-Feb-27
7.3	Draft Budget Estimates for FY 2027/2028	County Treasury	25-Feb-25
7.4	Convene Public Hearings on the Draft Budget Estimates	County Treasury	8-12 March-27
7.5	Submission of Draft Budget Estimates to County Executive Committee	County Treasury	22-March-27
7.6	Deliberation and adoption of Proposed Budget Estimates FY 2027/2028	CECM Finance	25-March-27
7.7	Submission of Budget Estimates to the County Assembly	County Treasury	31-March-27
8	**Approval of County Budget Estimates for FY 2027/2028**		
8.1	Discussion of Budget Estimates by Assembly Committees	County Assembly	1-9th April 27
8.2	Budget and Appropriations Committee convene Public Hearings	Budget Committee	By16th April27
8.3	Approval of Budget C Appropriation Bill, 2023(Special Sitting)	Assembly Clerk	30-April-27
9	**Budget Statement**	County Treasury	**30-April-27**
10	**Appropriation Bill passed and assented to by the Governor**	County Treasury	**7-May-27**