FISCAL STRATEGY PAPER

OF THE COUNTY GOVERNMENT OF

MOMBASA

ECONOMIC TRANSFORMATION FOR A SHARED PROSPERITY IN KENYA

FEBRUARY 2014

BUDGET OFFICE OF THE COUNTY GOVERNMENT OF MOMBASA
FINANCE AND ECONOMIC DEPARTMENT

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Foreword

This fiscal strategy paper, the first to be prepared by the Mombasa County Government sets out the Administration's priority programs to be implemented in the Medium Term Expenditure Framework (MTEF) under the devolved system of Government. It is framed under a backdrop of improving global economic prospects underpinned by gradual strengthening of the advanced economies and continued robust growth in Sub- Saharan Africa. These developments together with renewed investor confidence following recent peaceful elections bode well for accelerated economic growth prospects and creation of more jobs in Kenya.

Kenya's economy remains strong and resilient largely on account of bold economic policies and structural reforms as well as sound economic management implemented over the last decade. Today Kenya is considered a frontier economy with an impressive turn around in economic performance. Prudent economic policies have helped anchor the conditions for strong and stable growth. There are, however challenges that continue to hold our economy back from achieving its full potential. Through this County Fiscal strategy paper, we are addressing these challenges and building on our successes as a basis for our economic and transformation agenda.

The Strategy for economic transformation covers five broad areas: (i) creating conducive business environment in order to encourage innovation, investment, growth and expansion of economic and employment opportunities by maintaining macro economic stability, reducing the cost off doing business in Mombasa County, improving security, giving priority to programs with highest impact on county development objectives ; (ii) investing in agricultural transformation and food security to expand food supply by supporting expansion of agro-processing industries; (iii) investment in first class transport and logistics hub and scaling investments in other key infrastructure, including up scaling of our road network, energy and water supplies, drainage, pipeline, standard gauge railway, modernization of sea port and air port, all geared towards reducing the cost of doing business and improving competitiveness; (iv) investing in quality and accessible health care services and education as well as social safety net to reduce burden on the households and complement and sustain long term growth and development; and (v) entrenching devolution for better service delivery and enhanced economic development.

This County Fiscal Strategy Paper, sets out priority programs for economic transformation and building a shared prosperity to be implemented in the Medium Term Expenditure Frame work for 2014/15 – 2016/17. The implementation of these programs is expected to accelerate and sustain a broad- based economic growth at about 10 per cent and to transform our economy into a frontier middle- income status within a decade in line with Vision 2030 and this will have a positive trickle down effect in our county.

Walid Khalid
Executive Member / Finance and Economic Planning

Acknowledgement

This is the first fiscal strategy paper to be tabled in the County Assembly under the Public Finance Management Act, 2012. It outlines the broad strategic macro economic issues and fiscal framework, together with a summary of government spending plans, as a basis of 2014/15 budget and the medium term. We expect the document to improve the understanding of Kenya's public finances and guide public debate on economic and development matters.

The preparation of this fiscal strategy paper continues to be a collaborative effort. Most of the information in this paper has been obtained from the National Government and County Government policy papers, Mombasa County Government Departments, other Government Departments and Agencies. We are grateful for their inputs. We are also grateful for those who provided inputs during the various budgeting forums conducted in the County, in addition to comments from the Commission for Revenue Allocation and other stakeholders.

A core team from the Finance and Economic Planning Department spent time putting together this paper. I take this opportunity to thank all for their dedication, sacrifice and commitment to public service.

Abdulwahab Mbarak
Chief Officer/ Finance and Economic Planning

Contents

ABBREVIATIONS AND ACRONYMS

AIDS:	Acquired Immunodeficiency Syndrome
ARV:	Anti Retro Viral
BOT:	Build Operate and Transfer
CAPEX:	Capital Expenditure
CBO:	Community Based Organization
CIDP:	County Integrated Development Plan
CHEW	Community Health Extension Worker
CHW:	Community Health Worker
CGM:	County Government of Mombasa
COB:	Controller of Budget
ECDE:	Early Childhood Development
FDI:	Foreign Direct Investments
FY:	Financial Year
G-Pay:	Government pay System
GIS:	Geographical Information System
HIV:	Human Immunodeficiency Virus
ICT:	Information Communication Technology
IFMIS:	Integrated Financial Management Information System
IMCI:	Integrated Management of Childhood Illnesses
IPPD:	Integrated Personnel Payroll Data
IPT:	Integrated Public Transport
KAPS:	Kenya Airport Parking service Municipal Ltd.
KNBS:	Kenya National Bureau of Statistics
KMP:	Kenya Municipal Programme
LAIFOMS:	Local Authority Integrated Financial operating management system.
MTEF:	Medium Term Expenditure Framework

MTP:	Medium Term Plan
NGO:	Non-Governmental Organization
NMK:	National Museum of Kenya
PFM:	Public Finance Management
PMTCT:	Prevention of Mother to Child Transmission
STA:	Single Treasury Account
STD:	Sexually Transmitted Diseases
STI:	Sexually Transmitted Infection
UNESCO:	United Nations Education and Scientific Conference

LIST OF FIGURES

LIST OF TABLES

INTRODUCTION

Legal Basis for the Publication of the County Fiscal Strategy Paper (CFSP)

The County Fiscal Strategy Paper is published in accordance with Section 117 of the Public finance Management Act, 2012. The law states that:

1. The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval.

2. The County Treasury shall submit the approved County Fiscal Strategy Paper to the county assembly, by the 28th February of each year.

3. The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.

4. In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.

5. The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.

6. In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of
   a) the Commission on Revenue Allocation;
   b) the public;
   c) any interested persons or groups; and
   d) any other forum that is established by legislation

7. Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments.

8. The County Treasury shall consider any recommendations made by the county assembly when finalising the budget proposal for the financial year concerned.

9. The County Treasury shall publish and publicise the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.

Fiscal Responsibility Principles in the Public Financial Management Law

In line with the Constitution, the new Public Finance Management (PFM) Act, 2012, sets out the responsibility principles to ensure prudency and transparency in the management of public resources. The PFM law (Section 15) states that:

1. Over the medium term, a minimum of 30 percent of the national budget shall be allocated to development expenditure

2. The national government's expenditure on wages and benefits for public officers shall not exceed a percentage of the national government revenue as prescribed by the regulations.

3. Over the medium term, the national government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure

4. Public debt and obligations shall be maintained at a sustainable level as approved by Parliament and county assembly

5. Fiscal risks shall be managed prudently

6. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

Executive Summary

The fiscal strategy of the County Government of Mombasa for the year 2014/2015 is set out in this paper. The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper (CFSP) for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year. The contents of the CFSP will be largely informed by the PFM Act section 117(2) which provides for the aligning of the CFSP with the national objectives in the Budget Policy Statement.

The fiscal framework is guided by various principles which are in line with the medium term expenditure framework and the Vision 2030 among them: A strong revenue effort to ensure that the revenue to GDP ratio remains high, budget expenditures are consistent with agreed county and sectoral priorities with increased shift away from recurrent to capital expenditures while ensuring resources for operation and maintenance of capital stock is provided for, ensuring that the overall fiscal deficit will be consistent with achieving sustainable domestic debt and should not crowd out private sector credit, while at the same time providing sufficient fiscal space for infrastructural and social programmes necessary to achieving Vision 2030 objectives, external borrowing will be guided by the need to ensure our external debts remains sustainable and in all this, the County Government is committed to ensuring prudence in public expenditure management.

The fiscal strategy Paper serves as the basis for the preparation of the annual estimates of revenue and expenditure for the County of Mombasa Budget. The fiscal strategy Paper is a crucial requirement according to the Public Finance Management Act, 2012 as it requires the adoption of a multi-year perspective in budgeting to allocate public resources on a rolling basis over the medium-term.

The 2014/2015 fiscal strategy is set against the backdrop of recovery from the global economic recession as well as constant rise in the price of commodities and ballooning of the wage bill. Recovery from the crisis is uneven with emerging markets leading the recovery while a number of developing countries continue to cope with increasingly high debt burdens. The crisis was transmitted to the Mombasa County economy mainly through the international market for oil, the domestic capital market, FDI and remittances.

In response to the crisis, the National Government utilized the monetary and fiscal
Policy tools at its disposal to encourage lending by deposit money banks and provide a fiscal stimulus to the economy. This saw an increase in disbursement of money to help the Youth and Women start business through kazi kwa vijana and women trust funds. Recently there is the revamping of the women and Youth fund and the currently launched Uwezo fund. However, these noble efforts have been curtailed by high interest rate. We hope that the National government will continue to play an active role in stimulating the economy and pursue the goals of single-digit inflation, low interest rates, convergence and stability of the official and parallel exchange rates and economic growth driven by active private sector participation, as these will create an enabling environment for Mombasa County growth.

In the 2013/2014 fiscal year, an annual budget and its amendment budget were passed. The Budgets approved combined spending of Kshs.11.7Billion, of which Kshs 4.7 Billion was allocated to capital spending, 7 Billion to non-debt recurrent spending and no funding to debt service. Of the Kshs.11.7 Billion of budgeted revenue for FY 2013/2014 as at 31st December

2013, 618 Million was realized. The shortfall is mainly due to the County being unable to tap revenue from devolved units like Fisheries, Water, Local tourism, Betting and control due to technicalities in handing over and a time lag in approving the finance Bill.

Initially the County had prepared and approved a budget of Kshs.21.7 Billion for FY 2013/2014 within the stipulated budget timelines. This included Kshs.11.9 Billion for CAPEX and Kshs.10.59 billion for recurrent expenditure. The estimated revenue for the period was Kshs.12.17 Billion which comprised of Kshs.4.83 Billion as National equitable share and Kshs.7.35 Billion from Local sources. Owing to the large deficit The Controller of Budget advised the County to amend its budget. The 2013 Appropriation Bill was passed by the County Assembly and assented to by the Chairman, Committee member of Finance in December 2013.

The main challenges that have so far been experienced relate to the weak institutional framework that is manifested by the transitional from the National to devolved systems of governance, lack of capacity at the county level and the conflicting interests between sustaining of the old and new systems.

The challenges will be tackled by effectively operationalizing the MTEF, through deepening the existing institutional framework, increased partnership between the public, private, civil and community organizations in prioritizing of needs and allocation of resources, strengthening planning and budgeting capacities at the county levels through provision of adequate resources, improving on the systems of accountability and transparency and ensuring that all budgeting processes are grounded on a firm legal framework.

The County experienced major problems at the start of the first Quarter since it had no Chief Financial Officer and County Treasury in the office. Consequently it was forced to use Municipal of Mombasa accounts for the department to remain operational which according to law were required closed. This resulted to the County spending Kshs.221.6 Million without the approval of the COB. The County closed the Municipal Council of Mombasa accounts but the banks up to date have not officially communicated if they effected the closure and transferred any money in those accounts to the County of Mombasa accounts.

In the light of current revenue realities and some unanticipated expenditure items such as the wage increases, the Government is seeking to rationalize recurrent spending, to identify and resolve Revenue leakages. In addition the county has fully adopted IFMIS and G-Pay systems to enhance financial accountability and reporting.

INVIGORATING DEVOLUTION FOR TRANSFORMATIVE AND SHARED PROSPERITY IN MOMBASA

Overview

The 2014 Mombasa County Fiscal Strategy Paper (CFSP) outlines the broad strategic macroeconomic issues and fiscal framework, together with a summary of government spending plans, as a basis of 2014/15 budget and medium-term. It also presents county strategy towards realizing the objectives of the County Integrated Development Plan (CIDP), the Second Medium Term Plan and the Vision 2030. In this regard, it contributes to the improved understanding of Mombasa County's public finance and guiding the debate on economic and development matters.

This CFSP is the first to be prepared under the first County Government of Mombasa (CGM) Administration, following the General Elections in March 2013 that ushered in the devolved government structure i.e. the National and County Governments under the new Constitution. As such, it sets out the priorities of the CGM in the devolved system of Government in the context of Medium Term Expenditure Framework (MTEF).

This Medium Term Budget Policy is framed against a backdrop of improving global economic prospects. World economic output is now expected to grow at 3.6 percent in 2014 compared with an estimate of 2.9 percent in 2013. Advanced economies are gradually strengthening with policy makers having successfully defused two of the biggest short-term threats to global recovery, the threat of a Euro area break-up and a sharp fiscal contraction in the United States—the so called fiscal cliff. In emerging markets and developing economies, growth is slowing down due to new policy challenges. In sub-Saharan Africa, growth remains robust at about 5 percent with East African Community Partner States growing at an average of 6 percent. These developments together with renewed investor confidence following successful elections bode well for accelerated growth prospects and creating more jobs in Kenya.

On the domestic front, economic growth prospects remain strong despite instability witnessed in the sub region, including conflicts in Central African Republic and Southern Sudan. Over the past several years, the government has undertaken cross cutting socio-economic and structural reforms, giving rise to a strong and resilient broad-based growth underpinned by sound economic management. The economic growth has recovered steadily from levels as low as 1.6 percent in 2008 to 4.6 percent in 2012 and is expected to pass the 5.0 percent mark in 2013. This steady economic growth comes on the backdrop of a delicate political transition in March 2013.

Today, Kenya is considered a "frontier" economy with the impressive turnaround on economic performance due to a number of important changes in the economic, political, and social landscape over the past few years. Prudent economic policies have helped anchor the conditions for strong and stable growth. Fiscal discipline has improved both the external and domestic debt positions. We have been able to anchor inflation expectations down and maintained a strong regulatory supervision of the financial sector stability. The financial sector reforms and innovation have significantly expanded financial inclusion to more than 70 percent of the population.

The set of bold economic reforms undertaken have laid the foundations to lift the economy to middle-income status within the next decade. We nevertheless recognize that amid these successes are contrasting realities of our development challenges going forward. The rising imports against stagnating exports, food insecurity, declining agricultural and manufacturing productivity, inadequate and high cost of energy, insecurity, weak transport and logistics as well as weak investment climate are a major constraint to achieving our economy's full potential. In addition, emerging high and unsustainable public sector wage and fiscal related challenges surrounding devolution, if not addressed early enough, will be a drag on our development effort.

The CGM continues to receive shareable revenues as per the law. It is important to ensure that devolution achieves the objectives of better service delivery and rapid local economic development as well as jobs creation in line with our Vision 2030, but this can only occur if the fiscal discipline in the use of devolved resources is entrenched and macroeconomic environment remains stable. There is therefore great need to lay a strong economic foundation that will generate the resources for the entire country and jobs for our unemployed youth, women and the disabled.

The programmes that will be funded in the Budget for 2014/15 and outlined in this CFSP rides on the priorities outlined in the CIDP and the Second Medium Term Plan of Vision of 2030. In this regard, this CFSP sets forth economic policies and structural reforms as well as sector-based expenditure programmes that the CGM intends to implement over the next three financial years in order to achieve development agenda of this Administration. As was the case in the 2013/14 Budget, the FY 2014/15 budget will continue to emphasis shifting of resources in favour of growth and job creation, and to support stronger private-sector investment in pursuit of new economic opportunities. Through the proposed fiscal framework for the Fiscal Year 2014/15, fiscal discipline will be enhanced to support inclusive growth.

Prioritizing Development

In the Fiscal Year 2014/15, the CGM will continue to further entrench the County Government structures as envisaged in the Constitution. During the FY 2013/14, we have noted major challenges in the implementation of the budget. Among these challenges is poor network connectivity of the Integrated Financial Management Information System (IFMIS) to the main server at the National Treasury as well as low performance of local revenue collection. The delay in the preparation and approval of the Finance Bill 2013 was also another challenge.

Despite the foregoing challenges, there is need to prioritize resource allocation to the key areas of economic development and ensure more effective service delivery. The County Government will seek to leverage on the available opportunities in the Information, Communication and Technology (ICT) as well as other sectors. Among other areas of potential leveraging include leasing of assets and equipment and entering into public private partnerships to quicken service delivery.

In the county public sector we have noted the growing challenge of an expanding public sector wage bill resulting from staff seconded from the National Government whose functions have been devolved as well as staff from the defunct Local Authorities.Arising from the increased budgetary responsibilities necessitated by the transfer of functions hitherto under the National Government, our wage bill shot up hence taking up a substantial share of the budget allocation. There is therefore, need to develop a wage policy for the county to avoid unnecessary wage pressures that are likely to impact on pensions that would in turn increase the County Government's contingent liability.

The Salaries and Remuneration Commission (SRC) will in the medium term continue to set the salaries of state officers and recommend salaries of public officers that will ensure fiscal sustainability, among other key public finance principles.

Over the medium term, government expenditure will need to moderate so as to guard against accumulating large debt that will be burdensome to future generations.

With the limited resources the County Government will rationalize and ensure prudent use of public resources bearing in mind the need to achieve the set development goals. In the coming year, we shall ensure fiscal prudence and implementation of our strategic interventions. As we go into the second year of a devolved system of Government, we will ensure financial transparency so as to create an enabling environment for the County Government to be more efficient, accountable and to foster faster economic growth.

The Fiscal Framework outlined in this CFSP therefore calls for greater fiscal discipline and alignment of resources and priorities. Expenditure control measures therefore become necessary in this regard.

Sector Priorities

Infrastructure

In order to drive economic growth in the county, we will in the medium term focus on infrastructure development which will include waste management through improved drainage system, urban access roads, provision of water, electricity reticulation, water ferry system, construction of a bridge from Junda to Changamwe to improve mobility and increased ICT connectivity. This will in turn spur economic growth leading to increased job opportunities.
The County Government is further aware of the concerns of the current shortage of decent and affordable housing in the county. In the medium term, the CGM will partner with private sector under the PPP framework to construct decent and affordable houses. Additionally the government will provide resources to develop capacity, infrastructure as well as programmes to mitigate unforeseen occurrences which may occur.

Health

On human capital development, the County Government is committed to ensuring the highest attainable standard of health. Policies will aim at ensuring that local residents have access to well-equipped health facilities and well trained and motivated health care workers. Furthermore, the county will support and expand health care and improve sanitation as well as renovation and refurbishing the already existing health centers. The CGM shall partner with other development partners in provision of these services.

Education

The County Government will continue supporting education and ensuring standards of education are maintained at all levels in the 2014/15 and in the medium term. The County Government will adopt a framework to provide adequate facilities for ECDE and undertake recruitment of ECDE teachers. The CGM will create awareness on the importance of education for both girls and boys. Overall the government will support the improvement in the enrolment, retention and transition rates at all levels. We will sensitize communities on the importance of youth polytechnics with a view to popularizing them. In line with that we will improve facilities and hire more staff for the polytechnic depending on the needs.

Agriculture, Fisheries and livestock

This sector remains central in supporting growth and accounts for more than 22 percent of GDP at the national level. The CGM in 2014/15 will carry out activities geared towards food production in the few areas that food can be grown, value addition and processing and export promotion through Private Public Partnership in the Agriculture subsector. In the livestock sub sector the county will promote adoption of appropriate breeding practices and technologies and animal disease control. There will be promotion of sustainable utilization of fisheries resources, fish quality assurance, value addition and marketing as well as improvement of fisheries infrastructure in the Fisheries sub sector.

Tourism Sector

The county is endowed with several tourist attraction sites that include the historic Fort Jesus Museum which is also a UNESCO World Heritage site, the Likoni Ferry Services, the gigantic Elephant Tusks along Moi Avenue Additionally, several buildings in the old town including the Old Port are a major tourist attraction. The white sandy beaches are also of significant attraction to both international and domestic tourists. The county is host to the Mombasa Marine Park which is home to a variety of fishes and other sea features and two private nature trails, Haller Park and Butterfly Pavilion, operated by Bamburi Cement factory. As such, the sector has high potential for generating more revenue and with a strong growth of this sector; job creation can quickly be enhanced with further support for economic growth of the county.

Governance

Although still in the nascent stages, devolution has already shown good prospects especially in decision making, allocation of resources and local prioritization of needs. However, a number of challenges have also been noted. These include but are not limited to inadequate human capacity in specialized areas, office space, logistical problems and general resistance to change amongst staff. The CGM aims at strengthening internal control systems as well as development of capacity in terms of human resource and infrastructure which will lead to improved service delivery.

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

This section will outline the economic context in which the 2014/15 MTEF budget is prepared. It provides an overview of the recent economic developments and the macroeconomic outlook covering the global and domestic scene. It is followed by section III which describes the fiscal framework that is supportive of growth over the medium-term, while continuing to provide adequate resources to facilitate the policy priorities of the County Administration while at the same time ensure that the public debt is sustainable. Section IV presents the resource envelope and spending priorities for the proposed 2014/15 MTEF budget and the Medium Term and finally, section V concludes the discussion.

Overview of Recent Economic Performance

The 2014/2015 fiscal strategy is set against the backdrop of recovery from the global economic recession as well as constant rise in the price of commodities and ballooning of the wage bill. Recovery from the crisis is uneven with emerging markets leading the recovery while a number of developing countries continue to cope with increasingly high debt burdens. The crisis was transmitted to the Mombasa County economy mainly through the international market for oil, the domestic capital market, FDI and remittances.

With recovery from the global economic crisis now underway, expectations concerning the macroeconomic environment in the FY 2014/2015 are quite optimistic, but given the fragility of the recovery, the County Government of Mombasa intends to continue its expansionary fiscal policy.

This policy stance will be closely monitored and tightened When the Community start enjoying developments of the Government.

To address inflationary concerns and the possibility of further crowding out of the private Sector in market, the Government will continue to exercise fiscal discipline in extending the stimulus. It will balance these efforts with appropriate monetary policies with the intent of stimulating aggregate demand in order to maintain macroeconomic stability and long-term economic growth.

Macroeconomic reforms introduced in 2003 by the Government of Kenya have created an environment for strong and sustained economic growth over the 2004-2006 periods. During these periods, GDP growth averaged about 6% according to data from the KNBS. This growth trend has been attributed to the positive returns from sustained macroeconomic stability, favorable weather conditions for agriculture and the deregulation of certain sectors of the economy, such as telecommunications.

These sectors mostly serve the domestic economy; hence, they have been shielded to some extent from the fallout of the global economic recession. However the Post election Violence of 2007 impacted negatively on countrywide economy and up to year 2014, the Country's economy has not registered a high growth of 6% as was in the years 2004-2006, which by extension has affected the activities of the County Government of Mombasa

Economic growth in Kenya was largely satisfactory in 2012, despite a somewhat stagnating demand for our exports in traditional markets. Favourable rains contributed to good harvests, hydropower generation, and private sector activities benefited from improved macroeconomic environment. Inflation has declined steadily from double digits towards the 5 percent target in recent months. Short-term interest rates have also eased in line with the drop in inflation, while the shilling exchange rate has stabilized against major currencies.

Growth update

The economy grew by 4.6 percent in 2012 compared with 4.4 percent in 2011 **(Figure 1)**. This growth was broad-based and was driven mainly by expansion in agriculture, transport and communication, wholesale and retail trade, and manufacturing which contributed the most to GDP in 2012.

Figure 1: Real GDP Growth

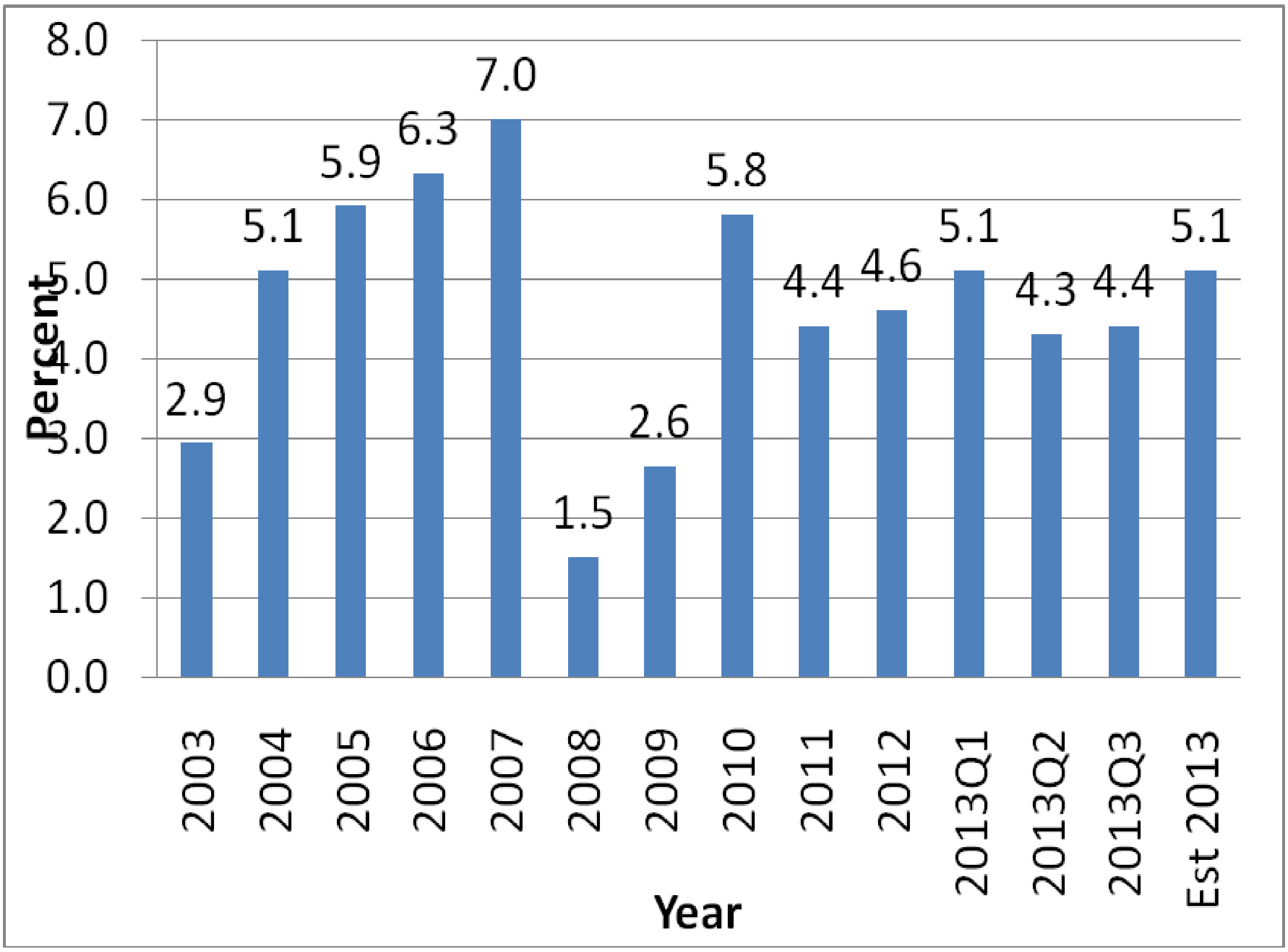
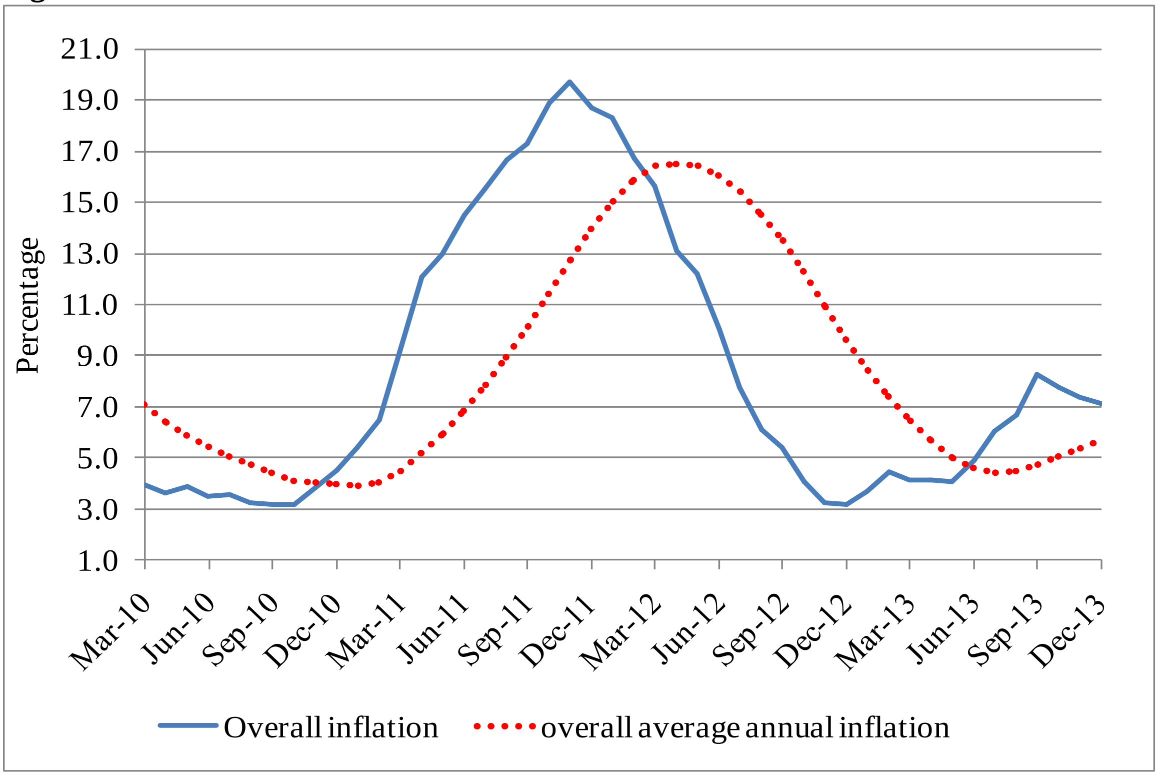


Figure 2: Inflation



Going forward, we expect inflation to slow down to the 5 percent target in the months ahead with appropriate monetary policy, barring any external shocks such as a surge in international oil market prices.

A macro-economic stability supportive of economic growth requires that inflation be maintained at low levels. However, fostering growth, combined with price stability remains a challenge, especially with rising international oil prices and the need to design a monetary policy that underpins sustained growth.
To achieve and sustain a 10 per cent GDP growth rate as envisaged in the Vision 2030, the economy will be required to operate at high levels of efficiency and technological progress. This calls for deeper reforms to improve the local business environment, as well as increased investment in physical infrastructure and infrastructure that supports science and technology.

The macroeconomic assumptions underlying the 2014/2015 fiscal strategy are therefore based on realistic estimates and guided by contemporary events that happened in the year 2013/2014

Overview of the County's Performance for FY 2013/2014

The County planned to collect revenue from the following sources;

Revenue Source	Kshs.
1. Equitable National share	4,347,617,805
2. World Bank (under KMP projects)	2,263,781,489
3. Fisheries	120,000,000
4. Water	780,000,000
5. Land rates	720,000,000
6. Plot Rents	34,137,850
7. Single Business permits	780,000,000
8. Markets	28,598,460
9. House Rent	120,000,000
10. Advertisement	200,000,000
11. Other fees and Charges	1,401,895,292
12. Betting	150,000,000
13. Agriculture	120,000,000
14. Tourism	360,000,000
Total	**11,686,014,896**

The graphical Comparison of the actual realization and the planned above can be shown below ;

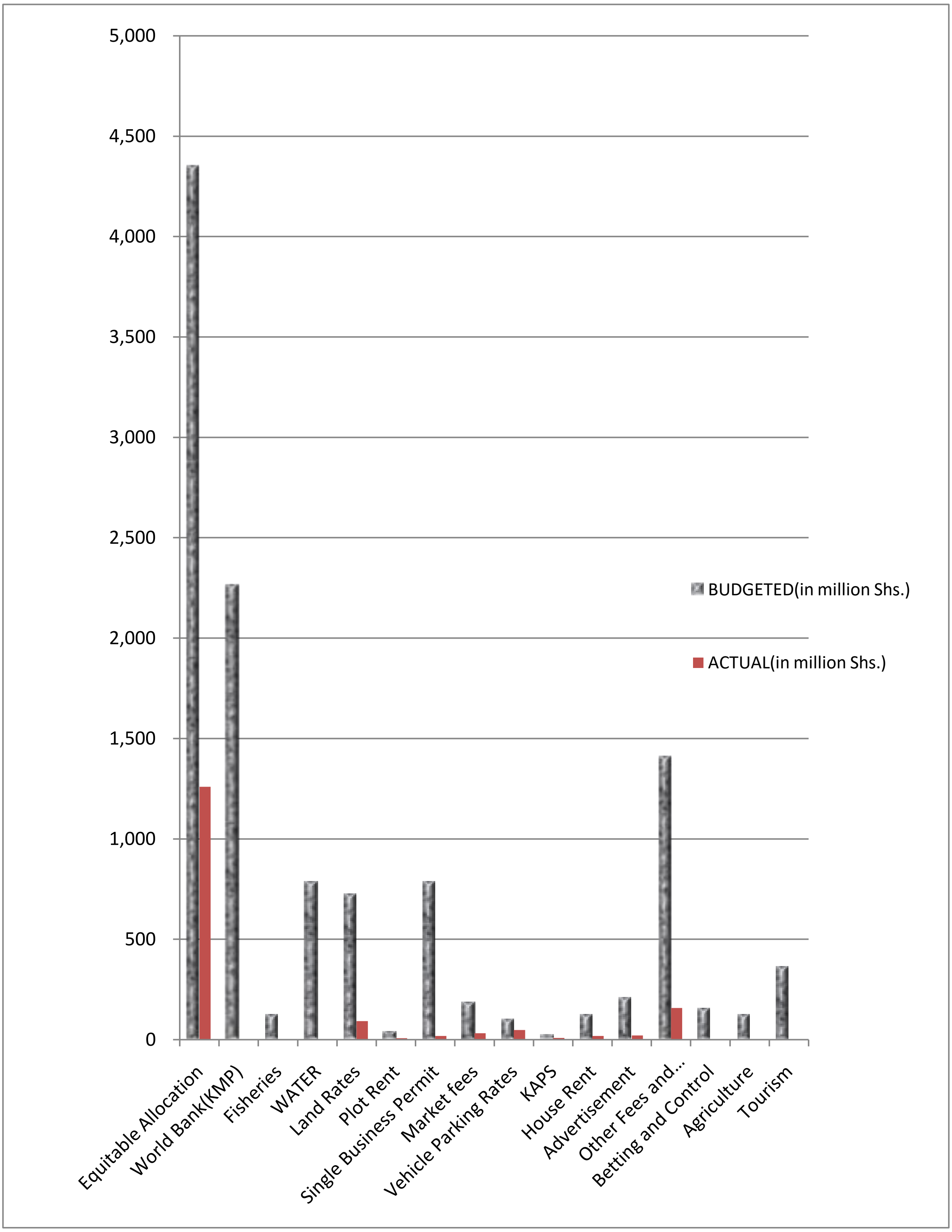


Fig 1.To Compare budgeted revenue for 2013/2014 and Actual Collections up to 31 December 2013.

The County planned to spend its collection as follows;

Expenditure	Kshs.
Personnel	3,780,459,247
Operations and Maintenance	3,195,267,160
Development	4,710,288,489
Kenya Municipal Project	2,263,781,489
Total	**11,686,014,896**

Table 2.To show the budgeted Expenditure as per Amended Budget.

The graphical Comparison of the actual realization and the planned above can be shown below ;

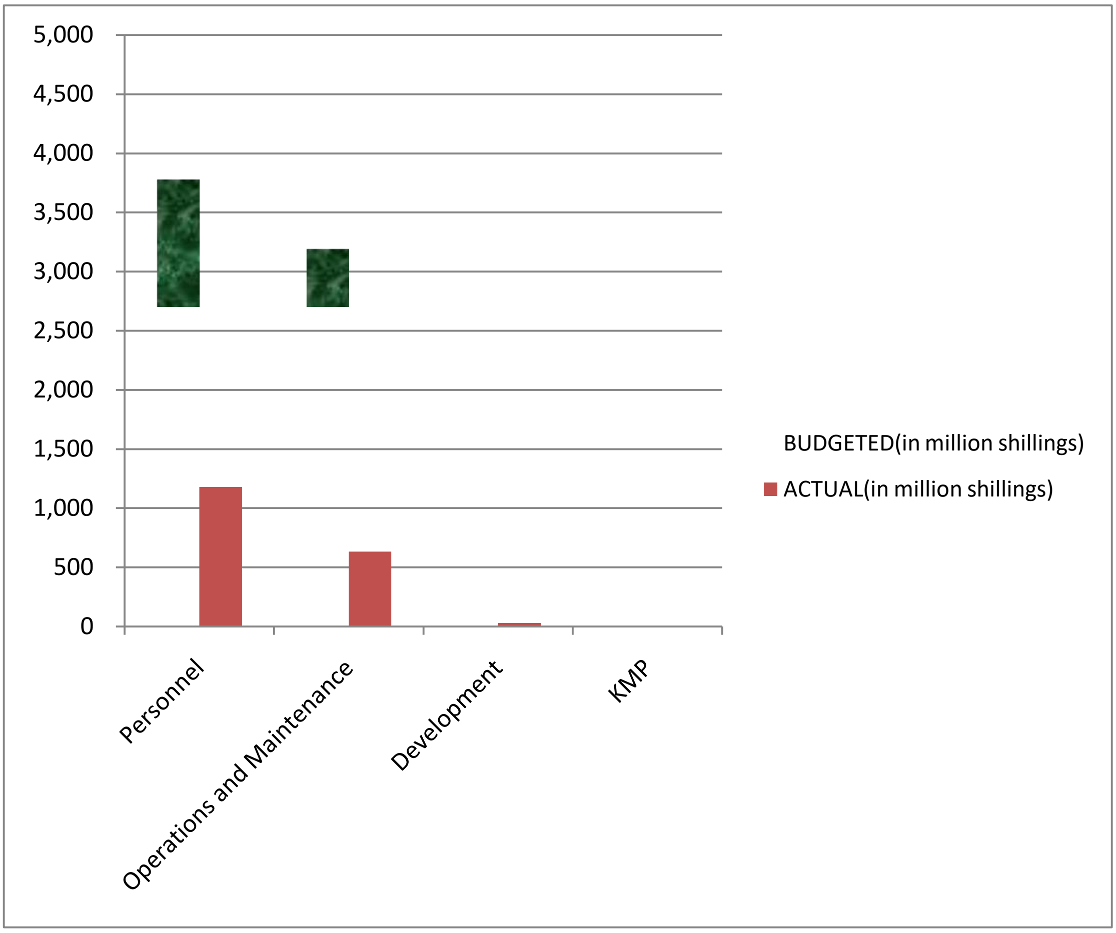


Fig 2: To Compare Budgeted expenditure and Actual expenditure up to 31 December 2013

Response to Overview of the County's Performance for FY 2013/2014

The following strategies will be employed to raise the revenue for the County to ensure that the planned revenue is surpassed or as far possible or be at par:-

1. Valuation Roll. For the last ten years the now defunct local authority has operated without an up to date valuation roll. This financial year 2013/14 the County Government has allocated funds towards preparation of a new valuation roll that will improve revenue and enhance service delivery.
2. Revenue Management Master Plan. The County Government ability to generate revenue through taxation is limited because the National Government prerogative of imposing taxes and determining tax rates. Therefore World Bank in conjunction with other partners have developed training which will result in improvement in revenue collection from currently available revenue sources especially property rates, business licenses and service charges and additional source of revenue could be investigated.
3. Enforcement of the Finance Acts and Regulations. The County Government will ensure that the gazetted fee and charges are collected according to the Finance Acts Regulations.
4. New Sources of Revenue. The County Government has started to pursue strong revenue collection and new sources of revenues from the devolved functions e.g. Betting and Gaming, Liquor Licensing, Museums, County Parks, Beaches, Recreation facilities, Ferries and Harbors. New legislation is to be introduced on the revenue sharing from the Kenya Ports Authority. The County Government has written to all heads of devolved units to pay all the dues to the County revenue account at Co-operative Bank of Kenya and also to declare any revenue which was paid to the National Government.
5. Automation of revenue collection. The County inherited two computerized revenue collection applications from the defunct Municipal Council of Mombasa namely Local Authority Integrated Financial Operating Management System (LAIFOMS) and Seasonal Ticketing System (STS).The STS provide a public service ticketing revenue collection solution that covers tuktuks, matatus, taxis, buses and mini buses. Recently Techno brain LTD demonstrated innovation ways of collecting revenue from parking fees, land rates and rents. The LAIFOMS system facilitates the collection of revenue items which is based on Kenya Gazette Notice No. 441 of 31st January 2012.The

County intends to introduce Pay bill Services to improve service delivery to its consumers by automating revenue collection points.

6. Capacity building of revenue collectors and enforcement officers. In order to improve revenue collection refresher courses should be conducted for various revenue collectors and enforcement officers to enhance technical competences. Also automation of the collection system will ensure efficiency, effectiveness and minimize defaulters.
7. Review of Fees and Charges
8. Outsourcing revenue collection to third party
9. Decentralization of revenue collection at the sub counties and ward levels. This will ensure that there is maximum revenue collection realized from all corners. Plugging the revenue leakages by training the collectors and ensuring that all the revenue collected are deposited to the nearest commercial bank before the closure of the business. And also the collection after the closure of bank business and bank deposit slips are surrendered to the Chief Cashier before the end of the day. The revenue collectors will also be frequently rotated to new stations to avoid familiarity.
10. Regular monitoring of revenue collection points to enhance accountability and seal corruption loopholes.

FISCAL POLICY AND BUDGET FRAMEWORK

Overview

The 2014 Medium-Term Fiscal Framework aims at striking an appropriate balance between fiscal consolidations and supporting growth in the County Government, all these within sustainable public finances. Specifically, the 2014 County Fiscal Strategy Paper emphasizes:

- Fiscal consolidation while ensuring that county resources are adequate to promote growth. The County Government is committed to a reduction in the recurrent expenditure to devote more resources to development. At least thirty percent of the total county revenue, locally generated revenue and transfers from the National Government, shall be used in the implementation of development projects.

- The county will look into ways of enhancing revenue collection and achieving greater efficiency in terms of cost savings in recurrent expenditure to ensure priority is given to the development projects. Lean workforce will assist in checking the wage bill. This will create fiscal space for spending on infrastructure and other development programmes. This will further provide adequate room for future countercyclical fiscal policy in the event of a shock.

- In addition through various investment forums, the county intends to attract potential local and foreign investors and other development partners to assist in development of the county. The county has held an investors' conference and identified willing potential investors.

Observing fiscal responsibility principles

The County Government recognizes that the fiscal stance it takes today will have implications into the future. Therefore, and in line with the Constitution and the Public Finance Management (PFM) Act of 2012, the principle of sharing the burdens and benefits of the use of resources and public borrowing between the present and future generation implies that we have to make prudent policy decisions today so that we do not impose unwarranted debt burden to our future generations.

In this regard, the County Government will observe the fiscal rules set out in the PFM law so as to entrench fiscal discipline.

Fiscal responsibility has become even more important since the Constitution requires the County Government to progressively provide for a minimum basic standard of economic and social rights to its citizens within available resources. In order for spending to increase on a sustainable basis to meet these basic needs, we should be prepared to match the increased expenditure demands with a corresponding increase in tax revenue yield through efficient collection, widening of tax bases, and reasonable tax rates. It is therefore imperative to reform and modernize the tax regimes to ensure stability of revenue effort, while at the same time continuing to restructure expenditure systems to ensure efficiency and create fiscal space required to fund these basic needs expenditures on sustainable basis.

Fiscal structural reforms

Underpinning the fiscal program are measures to raise the proportion of local revenue as a proportion of County's total revenue. This will be achieved through measures to simplify licenses and fees levies, improve compliance and use modern revenue collection system in order to eliminate leakages and to broaden revenue base.

On the expenditure side, the County Government will continue with expenditure management reforms to improve efficiency and reduce wastage in line with the PFM Act of 2012. Expenditure management will be strengthened with implementation of the Integrated Financial Management Information System (IFMIS) across departments. The County Treasury is also expected to operate a Single Treasury Account (STA) to ensure efficient and prudent management of County Government cash resources for effective service delivery. STA is a unified structure of government bank accounts that enables consolidation and optimum utilization of government cash resources.

The County Government will institute measures to contain the public wage bill and release needed resources for development funding. These would include payroll cleansing, staff rationalization, identification and trimming off of excess personnel; The County Government will also enhance capacity of the County Government staff so as to encourage proper and transparent use of resources and encourage quality service delivery.

Deficit financing policy

The borrowing plans will remain anchored in the medium term County Government Debt Management Strategy Statement which is built on ensuring public debt sustainability. The medium-term fiscal stance envisages borrowing from development partners on concessional terms. The County Government will ensure that the level of borrowing is sustainable.

The county will borrow short term and long term loans to assist in financing development projects that will have higher multiplier effect on the development of the county. The county shall encourage Public Private Partnerships to implement some of the capital projects through Build Operate and Transfer (BOT) model.

Non-concessional borrowing will be limited to projects that guarantee revenue streams and support long-term growth. In the medium term, the County Government in consultation with the County Assembly will develop regulations for floating of securities and bonds through the capital market as revenue raising strategy.

2014/15 Budget Framework

1. The 2014/15 budget framework is set against the background of the medium-term macro-fiscal framework set out above, the County Government's strategic objectives as outlined in the CIDP, Second MTP and Vision 2030 and the broad development policies of the new Administration.

Continuing with prudent fiscal policy

Fiscal policy will continue to support economic activity within a context of sustainable public financing. The County Government will reorient expenditure towards priority programmes in health, agriculture and infrastructure under the medium-term expenditure framework (MTEF). This process will be strengthened with a revamped legislative framework to enable accommodation of critical programmes that will accelerate socio-economic development.

With improvement in procurement planning (following review of the Procurement and Disposal Act), the absorption capacity of project funds is expected to increase resulting in a higher investment level in development activities.

The overall fiscal balance (after grants) is projected to remain zero from 2013/14 and over the medium term. This will be the case since the County Government is expected to continue maintaining a balanced budget in 2013/14 and over the medium term.

This section introduces the rationale for, and goals of, the 2014/2015 Fiscal Strategy Paper. The Strategy Paper will take cognizance of the projects and programmes included in the County Integrated Development Plan. The tables that follow will therefore depict the County's development plan for a period of one (1) year, which has been contracted from the CIDP covering five years where applicable, to form the basis of FY 2014/15 Budget.

AGRICULTURE AND RURAL DEVELOPMENT		
VERTINARY	**Cost estimate(Kshs.)**	**Ceiling**
	2014/2015	
zoonotic diseases Vaccinations	3,450,000.00	
Zoonotic disease surveillance and reporting	1,150,000.00	
Rehabilitation and maintenance of Kibarani Quarantine station and incinerator	40,000,000.00	40,000,000.00
Trainings and sensitization of public on zoonotic diseases	1,150,000.00	
Control of stray animals;	1,750,000.00	
*trapping and baiting of cats and dogs		
*Neutering of dogs/cats	1,150,000.00	
*construction and maintanance of animal pound	5,150,000.00	
*Establishment of animal burial site	5,000,000.00	
*Trainings and sensitization of public on animal welfare	1,750,000.00	

Meat inspection at 4 slaughter slabs and 1 slaughter house in the county	2,435,000.00	
-Licensing of slaughter houses / slab, meat carriers and containers.	215,000.00	
Training of butchers and meat handlers on hygienic handling of meat.	1,150,000.00	
Capacity build poultry farmers on hygienic slaughter and transportation of poultry meat	1,150,000.00	
Construct 3 poultry slaughter houses and cold rooms and rehabilitate Majengo slaughter house	50,000,000.00	50,000,000.00
Animal products and by- product outlets spot checks, collection and Testing of livestock products and by-products	575,000.00	
	1,150,000.00	
Inspection of Agro-vets and hatchery in the county	575,000.00	
Overhaul of plant and machinery equipment	25,000,000.00	10,000,000.00
Veterinary supplies and materials	22,784,456.00	
Vaccinations	8,205,000.00	
Livestock movement control	55,028,200.00	
Animal disease surveillance	32,378,790.00	
Livestock identification	4,855,000.00	
Vector control.	2,785,000.00	
Animal welfare	11,326,600.00	
Hold animal health extension activities	2,310,400.00	
Breeding Systems	876,866.00	876,866.00
Veterinary public health (Meat inspection)	2,855,000.00	
Construct poultry slaughter houses and cold rooms	23,750,000.00	
Rehabilitation of Kibarani quarantine station	31,666,666.67	
Rehabilitation of Miritini holding ground	16,666,666.67	16,666,666.67
	358,288,645.33	**117,543,532.67**
Agriculture		
Traditional high value crops (THVC)	1,644,870.00	1,644,870.00
Water Harvesting	15,000,000.00	15,000,000.00
Specialised materials and supplies Agricultural and small equipments	1,000,000.00	
Purchase of seeds, breeding livestock and seeds	3,000,000.00	
Drought contigency	7,200,000.00	
Construction of Agriculture Training and incubation centre Centre	13,000,000.00	13,000,000.00
Construction of offices	17,000,000.00	17,000,000.00
NMK	7,500,000.00	
Urban and peri-urban agriculture (UPAP)	3,000,000.00	
Coordination of extension services, capacity building, trainings (local and international)	54,000,000.00	
Increased access and use of certified inputs(CAAIAP) and composting	15,000,000.00	
Promotion of Agro forestry	3,200,000.00	3,200,000.00
Youth in modern agriculture	5,200,000.00	5,200,000.00
Women in Agriculture	5,400,000.00	5,400,000.00

	151,144,870.00	**60,444,870.00**
FISHERIES		
Project Name	**Cost estimate(Kshs.)**	**Ceiling**
Construction of Infrastructure and civil works	8,500,000.00	8,500,000.00
Construction of fish ponds	1,000,000.00	1,000,000.00
Purchase and Installation of a generator	5,000,000.00	5,000,000.00
Fish ponds Feasibility study	16,666,666.67	16,666,666.67
Construction of a modern fishing port	833,333,333.33	
Acquisition of gazetted and ungazetted fish landing sites	10,000,000.00	
Fish landing sites improvement	9,600,000.00	9,600,000.00
Establishment of a fish auction market	33,333,333.33	33,333,333.33
Inspection of fish markets, landing sites, factories, vessels , sampling and analysis of fishery products and water	7,000,000.00	
Acquisition of modern fishing boats and gear for fishers	120,000,000.00	
Construction of sub-county offices	13,333,333.33	13,333,333.33
Capacity building of county fisheries staff.	5,000,000.00	
Acquisition of vehicles, boat, office equipment and furniture.	5,000,000.00	
Acquisition of office space at the port and airport	2,000,000.00	2,000,000.00
Promotion of aquaculture	2,000,000.00	
Construction of fish demonstration ponds	5 ,000,000	
Establishment and capacity building of BMUs	8,000,000.00	
Conduction of land and sea patrols	1,250,000.00	
	1,081,016,666.67	**89,433,333.33**
LIVESTOCT SUBSECTOR		
Project Name	**Cost estimate(Kshs.)**	**Ceiling**
Livestock upgrading	18,507,000.00	18,507,000.00
Purchase of Agriculture Machinery and equipments	18,507,000.00	18,507,000.00
Coordination of Extension Services, training and capacity building	20,000,000.00	
Administrative services	3,200,000.00	
Local poultry production in the county	4,000,000.00	
Bee-keeping & emerging livestock development in Kisauni & Changamwe	3,000,000.00	
Improved dairy/goat meat production(Kisauni,Likoni and Changamwe)	3,000,000.00	
Rabbits enterprise development	3,500,000.00	
Empowerment of Youth and women through livestock production	3,000,000.00	3,000,000.00
Construction and Repair of offices	250,000,000.00	15,000,000.00
Rehabilitation of Miritini holding ground	36,000,000.00	8,000,000.00
Construction of livestock sale yard	60,000,000.00	20,000,000.00

	422,714,000.00	**83,014,000.00**
Lands		
Project Name	**Cost estimate(Kshs.)**	**Ceiling**
Formalization of Informal Settlements	150,000,000.00	50,000,000.00
Land Acquisation and Establishment of fire station at Kisauni	30,000,000.00	
Land Acquisation for construction of Youth Polytechnics in each Constituency	150,000,000.00	
Land Acquisation for markets	150,000,000.00	
GIS-Based County Information Management System	75,000,000.00	50,381,602.00
Public Sensitization	4,000,000.00	
Capacity Building	20,000,000.00	
Spatial Mapping	20,000,000.00	20,000,000.00
County/City Master Plan	100,000,000.00	
County Land Registry	40,000,000.00	40,000,000.00
Valuation Roll	100,000,000.00	100,000,000.00
	839,000,000.00	**260,381,602.00**

GENERAL ECONOMIC,COMMERCIAL AND LABOUR AFFAIRS		
Co-operative Development and Marketing		
To hold industrial exhibitions, ASK Show and trade exhibitions in the county per year.	3,000,000.00	3,000,000.00
Develop one major cooperative for fish farmers, bee-keepers, poultry farmers to deal with value additions	500,000,000.00	30,000,000.00
	503,000,000.00	**33,000,000.00**
Trade and Industry:		
Advertisement, awareness and publicity	4,000,000.00	
Refurbishment of non residential buildings	400,000,000.00	40,000,000.00
Modernization of markets, Mackinnon and Sega markets.	100 ,000,000	60,000,000.00
Installation of modern stores	60,000,000.00	
Building and or improving markets in every constituency (Mvita, Likoni, Changamwe and Kisauni)	50,000,000.00	20,000,000.00
A fund for entrepreneurship	7,000,000.00	7,000,000.00
SME park	75,000,000.00	
Set up a training to promote savings mobilization and promotion of enterprise development	400,000.00	
Set -up a consultative forums (Committee to be meeting on quarterly basis)	500,000.00	
Governors round table with investors		
Develop the business information center	2,000,000.00	2,000,000.00
Duty Free Port area	333,333,333.33	
Information Technology	400,000,000.00	50,000,000.00
(Marketing, Branding and capacity Building)		
MICC	2,500,000,000.00	
Mombasa Hospitality Centre of excellence	250,000,000.00	
Expos/Trade fairs	700,000,000.00	
Miss Tourism Msa County	25,000,000.00	
Airport restaurant	200,000,000.00	
Eco tourism	100,000,000.00	
Sports tourism	164,000,000.00	
Refurbishing of sites	75,000,000.00	
Branding Mombasa	500,000,000.00	
Tourism police		

	12,500,000.00	
Research and Development	6,666,666.67	
Training	50,000,000.00	
Mombasa tourism guide	100,000,000.00	
Mombasa International Expo center	250,000,000.00	
Registration of Establishment	-	
Cruise Tourism	333,333,333.33	
Beach tourism	400,000,000.00	
	6,998,733,333.33	**179,000,000.00**

Energy Infrastructure and ICT		
Project Name	**Cost estimate(Kshs.)**	**Ceiling**
Transport and Infrastructure	50,000,000.00	
Routine and periodic maintenance of roads and accesses	500,000,000.00	500,000,000.00
Develop an integrated storm water management strategy for Mombasa city	700,000,000.00	
Construct and Maintain Storm water management infrastructure.	80,000,000.00	
Construction of a multi storey central car park at Makandara grounds	130,000,000.00	
Non Motorised Transport Study and Facilities Phase I and II	480,000,000.00	
Acquire land and construct Bus termini in North, West and South	8,000,000,000.00	
Dongo - Kundu Mombasa City Southern Bypass	3,000,000,000.00	
Kipevu Cargo terminal	72,600,000.00	
Old Airport Road Changamwe Constituency (A109)	40,000,000.00	
Construction of Jomvu to Maunguja to Mwakirunge Road	30,400,000.00	
Construction of Road from Jomvu through Miritini to Mazeras (Old Nairobi Highway)	37,600,000.00	
Rehabilitation of UNISOA road Changamwe Constituency.	16,200,000.00	
Consultancy Services for Supervision of Storm water Drainage Improvement Phase II	11,800,000.00	
Drain Cleaning and Minor Repairs for Mombasa County	260,000,000.00	100,000,000.00
Storm water drainage Improvement phase II	80,000,000.00	
Maintenance and rehabilitation of various roads under KMP	160,000,000.00	
Slum up grading projects in selected informal settlement areas	22,500,000.00	
Feasibility Study and design for the Construction of Second Bridge Connecting Mombasa Island to North Mainland	174,000,000.00	
Old Malindi Road Reconstruction Project	346,000,000.00	
Rehabilitation of bridges	612,400.00	
Reconstruction of Missing Links.	200,000,000.00	
Construction of Marshalling yards and parking yards.	80,000,000.00	
Water transport	30,000,000.00	
Rail transport	3,050,000,000.00	
	700,000,000.00	
Storm Water Management	480,000.00	
Improving Traffic Flow		

	220,000,000.00	
Efficiently managed and maintained Public vehicles	167,000,000.00	
Effective and efficient Fire Fighting and disaster management unit	78,000,000.00	
Effective development and maintenance of public buildings and offices	320,000,000.00	
Provision of street lighting	56,000,000.00	
Provision of traffic lights	400,000,000.00	
Ferry Services.	-	
i) Security Provision	300,000,000.00	
Additional Ferry vessels	120,000,000.00	
Increase Landing space	32,000,000.00	
Improve Mtongwe Crossing	240,000,000.00	
Develop bus terminus	8,000,000.00	
Smooth Vehicle flow	12,000,000.00	
Improved maintenance	20,000,000.00	
Customer satisfaction Improved work Environment	1,200,000.00	
Construction of Miritini Clinic	-	
Energy	5,000,000.00	
Develop a County policy on Energy	10,000,000.00	
Provision of power supply Network both urban and rural communities	2,500,000.00	
Alternative sources of energy	-	
Information and Communication Technology (ICT)	3,000,000.00	
Training and sensitization of staff on ICT issues	600,000.00	
ICT Policy	6,000,000.00	
ICT Infrastructure and Software	-	
	20,253,492,400.00	**600,000,000.00**

Education Sector		
Project Name		
Establishment of 6 Master Craft Centres	225,569,598.00	50,000,000.00
Development of one Marine Technical University	106,666,666.67	
Establishing 6 public libraries	27,058,856.00	28,000,000.00
Construction of 2 ECDE teacher training collages	113,333,333.33	113,000,000.00
Construction of 2 girls boarding secondary schools	128,000,000.00	
Construction of 2 boys boarding secondary school	128,000,000.00	
Establishment of 6 child protection and care centres	123,648,534.80	50,000,000.00
Hire of 246 new ECDE teachers and absorption of 39 existing teachers	173,417,242.00	120,000,000.00
Establishing of 4 talent and skills data bases and information centres	245,070,664.70	70,000,000.00
Construction of 6 model Early Childhood Development Education ECDE Centres	217,490,762.50	65,000,000.00
Construction of 2 classrooms at Maweni Primary School	2,507,158.00	-
Construction of 2 classrooms at Amani Primary School	3,173,350.00	-
Construction of 2 classrooms at St. Mary's Primary School Bangladesh		
Construction of perimeter wall at likoni primary school	6,000,000.00	-
Completion of school boundary wall at Shimo la Tewa primary school	1,500,000.00	-
Rehabilitation of ziwani boys primary school	6,000,000.00	-
Completion of school boundary wall at Mrima primary	4,000,000.00	-
Re-roofing of Mwakirunge primary school	2,000,000.00	-
Construction of 2 classrooms at Kiembeni estate primary school	6,000,000.00	-
Construction of boundary wall at Mwakirunge primary school	4,000,000.00	-
Construction of 2 classrooms at Makupa Primary School	4,000,000.00	-
Construction of school perimeter wall at Mweza Primary School	4,000,000.00	
Construction of 2 classrooms at Kwa shee primary school	6,000,000.00	
Construction of boundary wall at Mbheni Girls primary school	-	-
Provision of furniture to Mwijabu Primary school	-	-
Provision of furniture to Kipevu Primary school	-	-
Completion of perimeter wall at Shika Adabu primary school	-	-
Renovation of Tudor primary school	-	-
Construction of boundary wall at Mwijabu primary school	-	-
	1,537,436,166.00	**496,000,000.00**

Health Sector		
Project Name	**Cost estimate(Kshs.)**	**Ceiling**
Construct, and fully equip three 400 bed capacity hospitals at Mrima (south coast), Mombasa west, and North coast mainland, as centres of excellence and referral .	433,333,333.33	
Upgrade and re-equip portreitz hospital as referral hospital	60,000,000.00	
Upgrade and re-equip Coast Provincial general hospital as regional referral hospital and as a centre of excellence and university hospital	400,000,000.00	
Plant, renovate, reequip and physical upgrade of all basic health facilities (tier2) including staffing	400,000,000.00	
Establishment of a quality control laboratory and supporting facilities to service the control of drugs for human and veterinary use and food supplements for the port of Mombasa and offices for public health	100,000,000.00	100,000,000.00
Establish of an ambulance and emergency system and offer services including intensive care to compliment the disaster control unit (30 fully equipped ambulances)	61,250,000.00	61,250,000.00
Establish an integrated healthcare service delivery system countywide using ICT to enhance quality healthcare efficiency	250,000,000.00	
ICT maintenance and Accessories	1,250,000.00	1,250,000.00
Obtain, renovate and equip the health products and technology (HPT) warehouse including cold rooms and offices, and all pharmacy outlets,	12,500,000.00	12,500,000.00
Procure adequate Health products and technology (equipment and other supplies)	250,000,000.00	90,000,000.00
Automated stock control system to ensure uninterrupted supplies of medicines and other supplies	300,000,000.00	120,000,000.00
Upgrade and reequip the medical engineering units in the County	25,000,000.00	25,000,000.00
Construct an office block to house all county health management staff at PHD and andequipwork stations with furniture and necessary tools	25,000,000.00	25,000,000.00
Scale up active TB case detection and Tuberculosis treatment and prevention strategy by establishing KEPS Kits in 6 subcounty health facilties	50,000,000.00	50,000,000.00
Establish a communicable diseases control laboratory and offices for staff to improve disease surveillance and disease control for the Mombasa city	125,000,000.00	20,000,000.00
Transport :	110,000,000.00	
(+ Utility Vehicles & Minivans &Vehicles)	-	
Transport Maintenance , Repairs and Insurance.	15,000,000.00	
Construct and equip a Male and Female Alcohol and Drugs Abuse Treatment Rehabilitation Centers two in each subcounty	37,500,000.00	
Strengthen Community strategy by setting up an office in each subcounty service centre	1,250,000.00	
Acquire andoperationalize a 24 hour communication system in all health facilities (Internet connection and telecommunication)	12,500,000.00	12,500,000.00
Equip all County referral hospitals to offer specialized services (special clinics)	250,000,000.00	
Conduct County Health work force staffing analysis using the WHO workload indicators for staffing need (WISN) to plan, distribute and recruit Healthcare workforce in the County and determine future projections,needs as per the WISN recommendations	2,500,000.00	
Strengthen healthcare human resource management, Development and succession planning	12,500,000.00	12,500,000.00
Estabilsh a well equipped Research centre to strengthen the culture of research and use of evidence in healthcare practice	5,000,000.00	5,000,000.00
Set up an e-court system and a teleconferencing facility at the magistrate court to enforce public health acts and city legislations	2,500,000.00	2,500,000.00
Promote adherence to food and water handling practices and following standards and regulations to eliminate food borne diseases	12,500,000.00	
Establish 3 funeral parlours, cemeteries and crematorium on the Island	15,000,000.00	

Construct and equip one Gender Based Violence Centre in each subcounty	15,000,000.00	15,000,000.00
Establish a Reproductive Cancer screening facility one in each sub county with a Colposcopy and Cauterisation and train 12 Clinical Officer in Gynaecology equipment for CA Cervix, CA breast	15,000,000.00	15,000,000.00
Establishing centres of screening and management of chronic conditions (diabetes, hypertension n others) including care of older persons in each sub county	15,000,000.00	15,000,000.00
Establishing sites that offer men's health services i.e. prostate and breast cancer, erectile dysfunction etc. at each sub county	30,000,000.00	
Establishing an integrated mental health and substance abuse treatment sites in the county	25,000,000.00	
Establish Health Promotion sites/ centres at the Sub County, one in each Centres to deal with NCDs and Social determinant of health	15,000,000.00	
Enhance leadership and Governance	12,500,000.00	
Establish a manufacturing unit for IV fluids	25,000,000.00	25,000,000.00
Conduct awareness campaigns	750,000.00	
Increase by 15% the number of sectors reached with HCT services(outreach programmes) to business, academics GP's religious groups, NGO's/CBO's hostels and informal settlements	75,000,000.00	
Increase by 18% capacity building programmes on HIV/Aids & STIs (HAST)	50,000,000.00	
Increase to 80% the no. of Comprehensive Care Management And Treatment (CCMT) initiation sites.	20,000,000.00	
Increase number of HIV positive patients started on IPT (Septrin / Dapsone) by 20%.	600,000,000.00	
Increase the number of HIV pts screened for TB by 10%.	2,500,000.00	
Conduct, annual County specific surveys that measures & provide recommendations on behavior to reduce transmission of HIV/aids and TB	5,000,000.00	
Conduct awareness campaigns conducted to educate employees on HIV and Aids.	2,500,000.00	
Increase the number of employees screened for HIV	3,750,000.00	
Increase the no. of Comprehensive School Health Activities (CSHA)	3,750,000.00	
Port Health	11,250,000.00	
- Monitoring import and export food items & Population Movement regard to International & Rules & Regulations. Vaccines	-	
Implementation of the Integrated Management of Childhood Illnesses (IMCI) strategy.	20,000,000.00	20,000,000.00
Expanded programme on immunization to reduce vaccine preventable diseases.	18,750,000.00	18,750,000.00
Increase Immunization coverage for children under 1year of age to 100%	-	
Continue implementation of Prevention of Mother To Child Transmission (PMTCT) programme. Antenatal client HIV 1st test rate increased to 100%	11,250,000.00	11,250,000.00
Increase by 46% HIV+ve pregnant mothers receiving preventive ARVs to reduce risk of PMTCT.	3,750,000.00	
% of babies born to HIV positive mothers tested for PCR at 6 weeks	2,500,000.00	
Increase growth monitoring & nutrition program coverage for 5 fives year by 20%.	2,500,000.00	
Establish Integrated and comprehensive 12 Youth Friendly Service sites	30,000,000.00	
(2 in every sub-county)	-	
Increase TB case detection and treatment by 20%	25,000,000.00	
Reduce malaria incidence by 15% through utilization of cost-effective control measures	25,000,000.00	
Integrated Vector Management	17,500,000.00	
Develop partnerships with health & health related stakeholders to maximize resources	1,250,000.00	

mobilization		
Joint awareness programmes with community.	2,500,000.00	
Quality monitoring of portable water at reservoirs and outlets.	5,000,000.00	
Reduce the incidences of food borne diseases / illnesses by 20%	5,000,000.00	
Managerial Audits of Formal Food Premises	5,000,000.00	
Managerial Audits of Informal Food Handlers	1,500,000.00	
Increase to 100% surveillance of pollution from industrial & institutions.	1,250,000.00	
Increase Sanitation Coverage to 95%	2,500,000.00	
Expansion of existing sewerage system and construction of public toilets	250,000,000.00	
Conduct annual open days exercises and walking projects(All World Health Days e.g. World aids Day)	1,250,000.00	
Conduct community dialogue days	500,000.00	
Purchase of diagnostic and imaging equipments for health centres	75,000,000.00	75,000,000.00
Maintenance of diagnostic and imaging equipment	6,250,000.00	6,250,000.00
Human resource	6,000,000,000.00	
· Recruitment	-	
Capacity building	-	
Conduct satisfaction surveys – patients and staff.	500,000.00	
Implement the management compliment & complaints system	500,000.00	
Establish and implement corruption prevention mechanism	1,250,000.00	
Transparency and accountability	1,250,000.00	
Establish internal audit to keep check on procurement and expenditure	-	
Do annual team building activities and attitude training	2,500,000.00	
Review the existing legal framework and policiesto further streamline the deprtment activ5ties	250,000.00	
Review and implement guidelines	2,500,000.00	
Update and distribute comprehensive clinical support supervision and monitoring tools for service delivery	6,250,000.00	
Conduct monthly quarterly support supervision and the county taskforce(non GOk employees facillited to do quality surveys	2,500,000.00	
Strengthen emergencies preparedness team	5,000,000.00	5,000,000.00
Implement the Kenya Quality Model (KQM)	5,000,000.00	5,000,000.00
Development of updated standards, and procedures for hospital quality assurance	7,500,000.00	
Scale up the county community strategy by forming 40 new community units(training of CHWs, CHEWs, Nurses)	75,000,000.00	
Scale up cervical and breast cancer screening by 60%.	3,750,000.00	3,750,000.00
Screening and management of chronic illnesses(diabetes & hypertension) including care of older persons	3,500,000.00	3,500,000.00
Implementation of men's health services i.e. Prostate and breast cancer, erectile dysfunction etc.	2,500,000.00	2,500,000.00
Promotion /integration of mental health and substance abuse treatment (down-referral)	15,000,000.00	15,000,000.00
Conduct Health promotion to create awareness on health lifestyles, including 5 km walks in all the wards	1,250,000.00	1,250,000.00

Awareness programs for school going children on alcohol and substance abuse & problems e.g. Teenage pregnancies KAP surveys and structured awareness programs	5,000,000.00	
Data collection:	17,500,000.00	17,500,000.00
§ Routine health information,	-	
§ Vital events(births &Deaths)	-	
§ Health related sectors,	-	
§ Surveillance,	-	
§ Research	-	
Capacity building on data management	-	
Data analysis	3,000,000.00	
Data dissemination	500,000.00	
Construction 6 Funeral Parlors(each every sub-county)	5,000,000.00	
Increase Number of Cemeteries (3)	22,500,000.00	
Increase the number of Crematoria in the County (3)	7,500,000.00	
Procurement of Health Products	250,000,000.00	100,000,000.00
Warehousing/Storage	40,250,000.00	
Distribution	12,500,000.00	
Costing of health services	5,000,000.00	
consultancy	-	
Staff Recruitment	6,000,000,000.00	
Personnel Emoluments	12,000,000,000.00	
In-Service Training	125,000,000.00	
Staff Motivation	5,000,000.00	
	29,044,583,333.33	**892,250,000.00**

Social Protection, Culture and Recreation		
	Cost estimate(Kshs.)	Ceiling
Youth and Sports		
Micro Finance Youth Programme	40,000,000.00	
Non residential buildings	5,000,000.00	5,000,000.00
Other infrastructure and civil works	12,500,000.00	12,500,000.00
Youth Empowerment Centre (one in each sub-County)	33,333,333.33	
Drug Rehabilitation Centre in Kisauni	66,666,666.67	50,000,000.00
Construction of a Youth Talent Academy	66,666,666.67	
Construction of a Garbage Recycling Plant		
Cross Country track	5,000,000.00	5,000,000.00
Securing open playing fields	6,666,666.67	
Renovation of Sports Facilities	33,333,333.33	25,000,000.00
Gender		
Capital transfer to individual and households	40,000,000.00	
Women Fund	100,000,000.00	
Establishment of a County Trust Fund to cater for gender and disability mainstreaming	100,000,000.00	
Renovation and fencing of Alms House	5,000,000.00	5,000,000.00
Renovation of Community Social Halls	15,000,000.00	15,000,000.00
Children		
Construction of a child protection centre	80,000,000.00	80,000,000.00
Establishment of child protection units	23,333,333.33	
Construction of a children's home	80,000,000.00	
Payment of bursaries to needy children	24,000,000.00	
Special Programmes		
Disaster management	25,000,000.00	
Social protection of vulnerable groups	20,000,000.00	
Culture and National Heritage		
Establishment of a Cultural Centre	16,666,666.67	17,000,000.00
Preservation of Historical and cultural sites	125,000,000.00	
Preservation and promotion of positive cultural practices	81,250,000.00	15,000,000.00
Preservation and promotion of cultural heritage	-	
	1,004,416,666.67	**229,500,000.00**

Environmental Protection, Water and Housing		
Project Name	**Cost estimate(Kshs.)**	**Ceiling**
1. Rehabilitation/ replacement of 10% of the old infrastructure by 2017. Mombasa network rehabilitation Lot 1	294,500,000.00	
8.Reduction of Non Revenue Water (NRW) from 45% to 25% by Dec 2017	148,333,333.33	
7.Expansion of network/coverage from 480km to 700km by Dec 2017 (220 KM)(reticulation)	222,500,000.00	
1.Improve coverage of sewer from 15% to 35% by Dec 2017	106,000,000.00	90,000,000.00
2.Waste water recycling plant(Kipevu)	125,000,000.00	90,000,000.00
3.Desalination of salt water	250,000,000.00	90,000,000.00
4.Provision of water to urban poor	100,000,000.00	
Infrastructure and civil works	10,000,000.00	10,000,000.00
Purchase of drilling rig	7,500,000.00	7,500,000.00
5.Improve and modernize office accommodation	44,500,000.00	
6.Construction of Mwache multipurpose Dam	216,666,666.67	
Mzima Pipeline Rehabilitation and Augmentation	125,000,000.00	
Construction of garbage recycling plant	266,666,666.67	
Purchase of waste management tools and equipment	16,666,666.67	
Development of houses for rental/ sale to public servants	266,666,666.67	
Establish ABT centres in 5 constituencies to promote local building materials and low cost building	112,000,000.00	
Installation of housing infrastructure facilities to open up new residential land and spur housing development	50,000,000.00	
Maintenance of county Government houses	37,500,000.00	10,000,000.00
Construct model low cost houses on pilot bases in slums	66,666,666.67	
Improve living standards of slum dwellers through provision of basic infrastructure	100,000,000.00	
Acquisition of title deeds	666,666.67	
Create a county government housing database, map & register	1,333,333.33	
	2,568,166,666.67	**297,500,000.00**

Public Administration and International Relations		
Project Name		
Consultancy/Training and Capacity Development	50,000,000.00	50,000,000.00
Other Infrastructure and civil works	2,263,781,489.00	300,000,000.00
Purchase of other Equipments and Tools	15,000,000.00	15,000,000.00
Purchase of Office furniture	5,000,000.00	5,000,000.00
Street Lighting	200,000,000.00	
Purchase of Patrol Vehicles	72,000,000.00	
Intergrated data bank for traders and investors	20,000,000.00	
Feasibility and appraisal studies	45,000,000.00	
Mombasa County Master Plan	100 ,000,000	100 ,000,000
Purchase of Computers and related Office equipments	25,000,000.00	25,000,000.00
Purchase of Fire Engines	100,000,000.00	100,000,000.00
County Data Centre/ ICT Infrastructure	350,000,000.00	
Construction and Equipping of the DIDC with modern technology at Dongo Kundu	7,600,000.00	
Integrated monitoring and evaluation	700,000.00	
	3,154,081,489.00	**495,000,000.00**

County Human Resource		
Strategic Objective		
Conduct training needs assessments		
Conduct staff audit		
Staff capacity building	7,500,000.00	7,500,000.00
Staff appraisal	4,000,000.00	4,000,000.00
Post training baseline survey	4,000,000.00	4,000,000.00
Conduct training needs assessments	1,500,000.00	1,500,000.00
Conduct staff audit	1,000,000.00	1,000,000.00
Staff capacity building	2,500,000.00	2,500,000.00
Staff appraisal	500,000.00	500,000.00
Induction training for Ward representatives and Chief Officers on their roles and responsibilities and Good Governance	750,000.00	750,000.00
Identify gender concerns, needs and priorities	-	
Establish a desk office for people with special needs	-	
Compliance with 30% and 5% on gender and Disability representation respectively.	0.01	
Formulation of Committee	8,000,000.00	8,000,000.00
Develop the policies	12,500,000.00	12,500,000.00
Implementation of the New Policy	10,000,000.00	10,000,000.00
Formulation of staff auditing committee	5,000,000.00	5,000,000.00
Conduct a staff survey	1,000,000.00	1,000,000.00
Training of staff	2,000,000.00	2,000,000.00
Identify training needs	1,000,000.00	1,000,000.00
Select employees to be trained		-
Train the employees	2,000,000.00	2,000,000.00
Identification of HR needs		
Inventory of staff skills		
Develop HR policy structure		
Exit survey		
Analyse the responses from the survey		
Implement survey findings		
Conduct HR welfare survey		
Develop a HR welfare survey		
Implement the survey		

Formulation of committee		
Development of the strategy		
Implementation of the strategy		
Short listing and recruitment of board members	2,000,000.00	2,000,000.00
Vetting of board members	1,000,000.00	1,000,000.00
Appointment and constitution of the board members		-
Recruitment of board members	2,000,000.00	2,000,000.00
Vetting of board members	1,000,000.00	1,000,000.00
Appointment of the board members		
	69,250,000.01	**69,250,000.00**

Governance, Justice, Law & Order		
Project Name		
Community Policing	10,000,000.00	10,000,000.00
Island and Kisauni Division		-
Construction of Sub-County and Ward Headquarters Offices (2) County Wide.	7,000,000.00	7,000,000.00
Community Service Order, Probation and After Care Services Programme	5,000,000.00	5,000,000.00
Construction of Office Block	6,000,000.00	6,000,000.00
Computerization of Registrar of persons and Registrar of births and deaths offices	1,000,000.00	1,000,000.00
	29,000,000.00	**29,000,000.00**

The FY2013/2014 Appropriation Act and the General Warrant.

The chairman, Committee member of Finance assented to the FY 2013/2014 Appropriation Act in December,2013 .The Act approved Kshs. 11.7 billion as the County Budget revenue; aggregate expenditure of Kshs 11.7 billion, comprising Kshs 4.7 billion as CAPEX, and Kshs 7 billion as Recurrent spending. No funds were set aside for Debt Service.

The spending composition Per Department resulting from the FY2013/2014 Budgets is presented in the chart below.

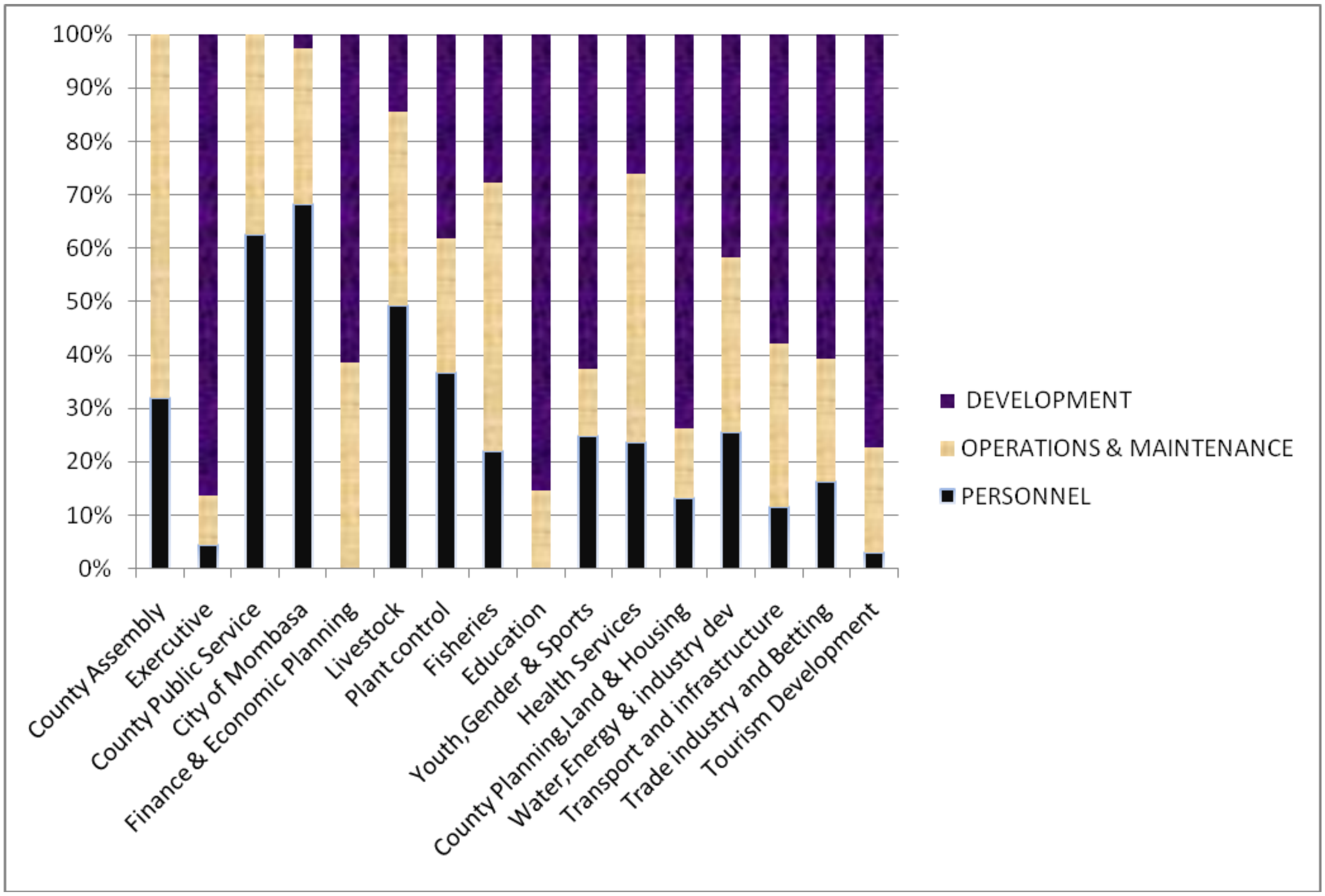


Fig.3: To show the composition of various expenditures per department

RESOURCE ENVELOPE

MEDIUM TERM EXPENDITURE FRAMEWORK

The resource envelope available for allocation among the spending agencies is based on the medium term fiscal framework outlined in Section III:

The 2014/15 budget targets total revenue amounting to Ksh. 12.3 billion. The 2014/15 revenue shall comprise of Equitable Share amounting to Ksh. 4.4 billion, Conditional Grant Ksh. 2.3 billion and local collections amounting to Ksh. 5.6 billion. Locally mobilized budget resources will finance about 45.5 percent of the budget in 2014/15 FY.

The revenue is projected to broadly cover funding required for all recurrent and some proportion of the development expenditure, leaving the rest of the development budget to be financed mainly through conditional grants which shall be administered by the National Government with involvement of the County Government.

Spending Priorities

The MTEF budgeting will adjust non-priority expenditures to cater for the priority sectors. The CIDP together with the new Administration priorities will largely guide resource allocation, going forward.

In addition, the Constitution and the PFM law require national and county governments to promote budgetary transparency, accountability and effective financial management of the economy and the public sector. Therefore, inefficient and wasteful public expenditure will be eliminated at all levels in order to promote public trust in government spending.

Overall, the MTEF budgeting will focus on priority sectors of, health, basic education, infrastructure, tourism, trade, Industry, agriculture, fisheries and livestock, youth and women empowerment. The allocation to these sectors will continue to rise over the medium term.

The Fiscal Strategy FY 2014/15 & the Economic Objectives of the Government

This Chapter is dedicated to outlining Government's spending plans and the manner in which this expenditure will be funded over the FY 2014/2015. The fiscal strategy of the Government is guided by contemporary events which have impacted on the economy, the CIDP and the realities of the FY 2013/2014 actual revenue collections and expenditures. In this view, the 2014/2015 fiscal strategy paper has been designed to address these specific challenges by focusing on the following objectives:

- To improve the efficiency and quality of CAPEX spending by promoting Public Private Partnership;

- To place greater focus on critical infrastructure as a means of promoting long-term economic growth;

- Continue the application of a fiscal stimulus in the medium term to kick-start the economy, taking into consideration the current revenue constraints and its impact on the fiscal deficit;

- Rationalize the outlay on recurrent expenditure through the identification of cost-saving measures;

- Boost revenue receipts and identify and plug revenue leakages through audits of Revenue-generating units.

Summary of Costs and Ceiling

Spending Unit/Department	Cost estimate(Kshs.)	Ceiling
County Assembly	300,000,000	300,000,000
The Executive	767,964,482	767,964,482
The County Public Service Board	69,250,000	69,250,000
City of Mombasa	288,964,482.10	288,964,482.10
Finance and Economic Planning	3,154,081,489	495,000,000
Agriculture	2,013,164,182	350,435,736
Education	1,537,436,166	496,000,000
Youth, Gender and Sports	781,500,000	197,500,000
Health Services	29,044,583,333	892,250,000
County Planning, Land and Housing	839,000,000	260,381,602
Water environment and Natural Resources	2,568,166,667	297,500,000
Transport and Infrastructure	20,253,492,400	600,000,000
Trade Energy and Industrial Development	7,101,733,333	162,000,000
Tourism	622,916,667	82,000,000
TOTAL	**69,342,253,201**	**5,259,246,303**

Table 25: Estimated Costs and Ceiling.

5.1.4 Projected FY 2014/2015 Revenues and Expenditure.

REVENUE/EXPENDITURE	AMOUNT (KSHS.)
Revenues	
National Government Equitable Share	4,425,546,774
Grants and Donations	2,300,000,000
County Local Sources	5,582,077,162
Total Revenue	**12,307,623,936**
Expenditures	
Personnel	4,007,286,806
Operations Repair and Maintenance	3,041,090,827
CAPEX	5,259,246,303
Total expenditure	**12,307,623,936.00**
Surplus/(Deficit)	**0.00**

Table 26: projected 2014/2015 revenue and expenditure

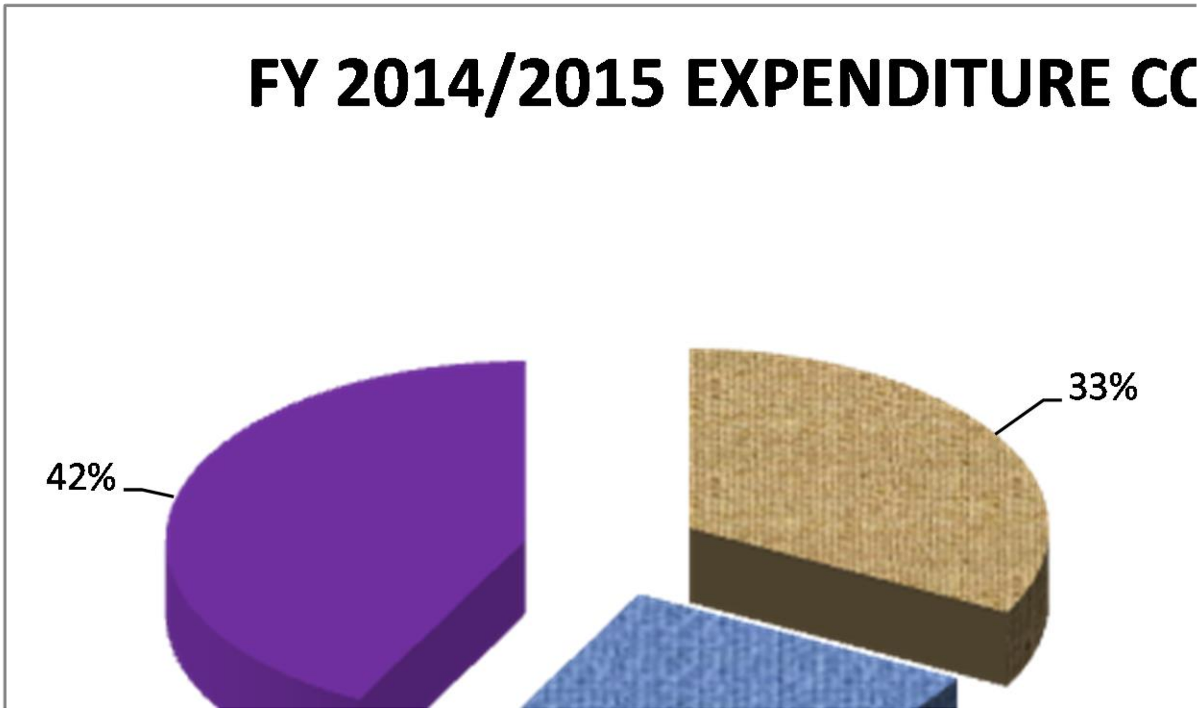


Table 4: projected 2014/2015 Percentage expenditure

Baseline ceilings

The baseline estimates reflects the current spending levels in sector programmes. In the recurrent expenditure category, non-discretionary expenditures takes first charge and includes payment of statutory obligations such as interest payments, compensation of employees covering all county staff including those from the defunct local authorities and those seconded from the National Government.

Development expenditures are shared out on the basis of the CIDP, Vision 2030 and the second MTP priorities as well as other strategic interventions to deal with unemployment and remove constraints to faster growth as outlined by the manifesto of the new Administration. The following guidelines are used:

- ***On-going projects:*** emphasis is given to completion of on-going projects and in particular infrastructure projects and other projects with high impact on poverty reduction and equity, employment and wealth creation..

- ***Strategic policy interventions:*** priority is also given to policy interventions covering the entire county, social equity and environmental conservation.

Finalization of spending plans

As indicated earlier, the finalization of the preparation of the detailed budgets will entail thorough scrutiny to curtail spending on non-productive areas and ensure resources are directed to priority programmes. As detailed budgets are scrutinized and the resource envelope firmed up, it is likely that additional resources may become available. The County Government will utilize these resources to accommodate key county strategic priorities with sound business plans. Specifically, the following will receive priority:

	Priority Areas of Consideration for Additional Resources
1.	Intervention identified during the county stakeholders consultation for 2014/15 MTEF budget.
2.	Strategic intervention in the area of basic education, health, infrastructure (especially access roads), tourism, agriculture (especially promotion of Agri-business and rearing of small animals), as well as policy interventions covering the entire county to enhance social equity.
3.	Specific consideration to job creation for the youth based on sound initiatives identified within and outside the normal budget preparation.

Details of Sector Priorities

The medium term expenditure framework for 2014/15 – 2016/17 ensures continuity in resource allocation based on prioritized programmes aligned to the CIDP, Second MTP (2013-2017) of Vision 2030 and strategic policy initiatives of the New Administration to accelerate growth, employment creation and poverty reduction. The recent achievements and key priority targets for each sector are based on the reports from the Sector Working Groups (SWG).

CONCLUSION

The 2014 MTEF is marked by moderate growth in overall expenditure, taking into account the weaker global economic outlook and the need to stimulate economic growth. Expansion of infrastructure investment, while maintaining reasonable growth on social development continues to be a priority.

The set of policies outlined in this CFSP reflect the changed circumstances and are broadly in line with the fiscal responsibility principles outlined in the PFM law. They are also consistent with the national strategic objectives pursued by the County Government as a basis of allocation of public resources. These strategic objectives are provided in the CIDP, second Medium Term Plan as well as the new Administration's priorities.

It could be deduced from the CIDP that assuming expenditure is evenly distributed the FY 2014/2015 CAPEX would be **Kshs.69.3 Billion**. Noting that the CAPEX as the 2013/2014 budget was **Kshs.4.7 Billion**, it would be unrealistic to increase the CAPEX by almost **15 times**. Therefore the CAPEX was assumed to grow by **10%** to **5.2 Billion** in the FY 2014/2015.This is the ceiling for which CAPEX can be implemented.The Operations and maintenance would reduce by 5% in line with the objectives mentioned in **5.1.1** above to **Kshs.3 Billion**. And since in the short term it's not possible to reduce Personnel expenditure in view of the expansionary monetary policy pursued by both the National and Mombasa County governments, which will result to persistent price rises, it has been assumed personnel expenditure will grow by **6%** amounting to Kshs**.4 Billion** in FY 2014/2015.

To spur growth and improve the welfare of the community, the County should only implement a balanced budget. The projected Deficit or Surplus for the FY 2014/2015 is thus zero.

The County has experienced Coding problems for personnel expenditure where the IPPD lumps all net salary pay for County assembly members, City of Mombasa and The Executive together.

Finally in preparing the Strategic Fiscal Paper, it was assumed that the Finance Act and its amendments will be implemented to the letter and the National Government will contain inflation.