



COUNTY GOVERNMENT OF MOMBASA

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2015

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Foreword

This County Budget Review and Outlook Paper (CBROP), prepared in accordance with the Public Finance Management Act, 2012 is the third to be prepared under the new dispensation. It presents the recent economic developments and actual fiscal performance of the FY 2014/2015 and makes comparisons to the budget appropriations for the same year. It further provides updated forecasts with sufficient information to show changes from the projections outlined in the latest County Fiscal Strategy Paper (CFSP), released in February 2015.

In this Paper, we will also provide an overview of how the actual performance of the FY 2014/2015 affected our compliance with the fiscal responsibility principles and the financial objectives as detailed in the 2015 CFSP.

In this CBROP we are re-emphasizing the Government's fiscal policy strategy, which focuses on maintaining a strong revenue effort and shifting composition of expenditure from recurrent to productive capital expenditures and optimally ensuring efficiency and effectiveness in the use of public resources. A strategy that recognizes the need to strike a balance between growth and fiscal sustainability, with emphasis on higher investments in Health, Human capital and infrastructure development today for a stronger and more durable growth tomorrow.

As outlined in the CFSP, our development agenda will be implemented through the five major priority sectors; Transport Infrastructure improvement, Provision of water, sanitation and sewerage services, provision and support of better land services, investing in quality and accessible health care services and quality education.

The implementation of programs under these five strategic sectors is expected to raise efficiency and productivity in the County's economy and in turn accelerate and sustain inclusive growth, create opportunities for productive growth and ensure high standards of living for Mombasa County residents.

Lastly, I wish to note that this CBROP has been prepared before the release of the provisional ceilings by the Commission of Revenue Allocation and Controller of Budget due to timelines provided in the PFM Act on the budget process. The County Treasury, therefore, will link this CBROP with the other budgetary policy documents in due course. The timelines of the budget calendar should strictly be adhered to as this will enable the County Treasury meet the stipulated timelines of the PFM Act, 2012.

Hazel J. Koitaba
EXECUTIVE MEMBER FOR FINANCE AND ECONOMIC PLANNING

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Abbreviations and Acronyms

ASALs	Arid and Semi Arid Lands
BOPA	Budget Outlook Paper
BPS	Budget Policy Statement
BSP	Budget Strategy Paper
CBROP	County Budget Review and Outlook Paper
EAC	East African Community
ERSWEC	Economic Recovery Strategy for Wealth and Employment Creation
FY	Financial Year
GDP	Gross Domestic Product
GoK	Government of Kenya
KNBS	Kenya National Bureau of Statistics
MDG	Millennium Development Goals
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NFA	Net Foreign Assets
NDA	Net Domestic Assets
PERs	Public Expenditure Review
PFM	Public Financial Management
PPP	Public Private Partnership
SBP	Single Business Permit
SWGs	Sector Working Groups
VAT	Value Added Tax
V 2030	Vision 2030

Legal Background

The County Budget Review and Outlook Paper (CBROP) have been prepared by the County Treasury in accordance with Section 118 of the Public Finance Management (PFM) Act. The Act states that a County Treasury;

- Shall prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and
- Submit the paper to the County Executive Committee by the 30th September of that year.

The main objectives of a CBROP are to specify;

- The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
- The updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper(CFSP);
- Any changes in the forecasts compared with the CFSP;
- How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
- Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.

In summary, this CBROP is expected to present a review of the fiscal performance for the previous year, 2014/15 financial year.

The CBROP is expected to provide a summary of the national macroeconomic outlook and how this will affect the County's economic performance.

The above statistics would partly provide the basis for the revision of the Financial Year 2015/16 budget in the context of the Supplementary Estimates, as well as setting out the broad fiscal parameters for the next budget and medium term. The fiscal framework presented in this document provides a strong basis for building our common future under the current constitutional dispensation. The paper also presents an overview of budget financing sources that includes revenue and grants. In the last section, the paper offers some conclusions and the way forward.

I. INTRODUCTION

1. The law requires CBROP to present the fiscal outcome for the previous financial year and to state how this outcome affects the financial objectives contained in that year's CFSP. In line with the law, the CBROP contains a review of the fiscal performance of the financial year 2014/15, updated macroeconomic forecast, and deviations from the Fiscal Strategy Paper February 2015.
2. The objective of the CBROP is to provide a review of the previous fiscal performance and how this impacts the financial objectives and fiscal responsibility principles set out in the Fiscal Strategy Paper (CFSP). This together with updated macroeconomic outlook provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the next budget and the medium term. Details of the fiscal framework and the medium term policy priorities will be firmed up in the next Budget Policy Statement (BPS).
3. The CBROP will be a key document in linking policy, planning and budgeting. The County Government has prepared Annual development plans (ADP), County Integrated Development Plan (CIDP), CFSP, which will aid budgetary preparation and programming from 2016 onwards.
4. The PFM law enacted in 2012 has set high standards for compliance with the Medium Term Expenditure Framework (MTEF) budgeting process. Therefore, it is expected that the sector ceilings for the Third Year of the MTEF provided in the previous CFSP will form the indicative baseline sector ceilings for the next budget of 2016/17. However, following the fiscal outcome of 2014/15 and the updated macroeconomic framework these sector ceilings have been modified as indicated in the annex of this CBROP.
5. The updated macroeconomic outlook will be firmed up in the next CFSP to reflect any changes in economic and financial conditions. We are committed to maintain the trend of economic growth and development in line with the expectations and commitments we have made to the people of Mombasa County. Towards this end, we shall ensure there is transparency and accountability by relaying our performance indicators to the public as

well as publicizing other publications as required by the Constitution and the Public Finance Management Act.

II. REVIEW OF FISCAL PERFORMANCE IN 2014/15

6. This section is meant to review how the actual financial performance for the 2014/15 financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year.
7. In line with the Constitution, the Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFM law (Section 15) states that:
 - a) Over the medium term, a minimum of 30% of the budget shall be allocated to development expenditure
 - b) The Government's expenditure on wages and benefits for public officers shall not exceed a percentage of the Government revenue as prescribed by the regulations.
 - c) Over the medium term, the Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure
 - d) Public debt and obligations shall be maintained at a sustainable level as approved by County Assembly (CG)
 - e) Fiscal risks shall be managed prudently
 - f) 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

A. Overview

8. The fiscal performance in 2014/15 was generally satisfactory, despite the low local revenue collection against the projected collection in the budget and cuts in expenditure. The County was able to implement 66 percent of the supplementary budget of Kshs. 9,870,298,138, out of which 80 percent was recurrent expenditure of Kshs. 5,338,097,031 and 52 percent being development expenditure of Kshs. 1,643,206,917. In view of the above the County had a 34 percent deficit of Kshs 2,888,994,189.

B. 2014/15 Fiscal Performance

9. Tables below present the fiscal performance for the FY 2014/15 and the deviations from the Original and Revised budget estimates.

RECURRENT FY2014/2015				
S/NO	DEPARTMENTS	Budget Submitted to the County Assembly on 30 th April 2014	Variations	Supplementary Budget Submitted to County Assembly on 31 Jan 2015
3011	County Executive	1,109,303,933	(303,193,723)	805,110,210
3012	County Assembly	625,024,229	(219,993,239)	405,030,990
3013	Public Service Board	186,241,410	(124,147,120)	62,094,290
3014	Finance and Economic planning	1,632,502,577	206,526,699	1,839,029,276
3015	Tourism, Betting and Control	77,672,465	29,976,987	107,649,452
3016	Education & Polytechnic	465,747,720	(267,414,603)	198,333,117
3017	Health Services	2,056,428,006	(286,035,115)	1,770,392,890
3018	Environment, Energy & Natural Resources	628,675,289	(176,246,371)	452,428,918
3019	Youth, Gender and Sports	330,806,660	(128,690,785)	202,115,875
3020	Trade and Cooperative Development	165,833,980	(742,184)	165,091,796
3021	Lands, Housing & Public Works	138,507,175	53,424,920	191,932,095
3022	Transport and Infrastructure	484,168,992	(151,906,896)	332,262,096
3023	Agriculture, Livestock & Fisheries.	241,763,464	(85,595,779)	156,167,686
	TOTAL	8,142,675,899	(1,455,037,208)	6,687,638,691

TABLE 1: TO SHOW DEVIATIONS FROM THE ORIGINAL BUDGET-RECURRENT EXPENSES FY 2014/2015

DEVELOPMENT FY 2014/2015				
S/NO	DEPARTMENTS	Budget Submitted to the County Assembly on 30th April 2014	Variations	Supplementary Budget Submitted to County Assembly on 31 Jan 2015
3011	County Secretary	239,140,000	167,066,531	406,206,531
3012	County Assembly	31,350,000	0	31,350,000
3013	Public Service Board	23,700,000	0	23,700,000
3014	Finance and Economic planning	410,000,000	100,438,900	510,438,900
3015	Tourism, Betting and Control	182,000,000	(130,364,397)	51,635,603
3016	Education & Polytechnic	231,100,000	(43,100,000)	188,000,000
3017	Health Services	853,586,457	(514,040,765)	339,545,692
3018	Environment, Energy & Natural Resources	137,300,000	172,389,100	309,689,100
3019	Youth, Gender and Sports	115,000,000	(34,109,498)	80,890,502
3020	Trade and Cooperative Development	519,260,000	(104,690,020)	414,569,980
3021	Lands, Housing & Public Works	284,062,089	(190,300,529)	93,761,560
3022	Transport and Infrastructure	922,548,502	(325,344,224)	597,204,278
3023	Agriculture, Livestock & Fisheries.	277,755,000	(142,087,700)	135,667,300
	TOTAL	4,226,802,048	(1,044,142,602)	3,182,659,446

TABLE 2: TO SHOW DEVIATIONS FROM THE ORIGINAL BUDGET-DEVELOPMENT EXPENSES FY 2014/2015

RECURRENT FY 2014/2015					
S/NO	DEPARTMENTS	Supplementary Budget Submitted to County Assembly on 31 Jan 2015	Actual	Variance	Percentage Utilization
A	B	C	D	E=C-D	F=D/C %
3011	County Executive	805,110,210	704,381,006	100,729,204	87%
3012	County Assembly	405,030,990	384,587,073	20,443,917	95%
3013	Public Service Board	62,094,290	34,887,641	27,206,649	56%
3014	Finance and Economic planning	1,839,029,276	1,392,222,859	446,806,418	76%
3015	Tourism, Betting and Control	107,649,452	47,168,447	60,481,006	44%
3016	Education & Polytechnic	198,333,117	145,665,216	52,667,901	73%
3017	Health Services	1,770,392,890	1,391,935,725	378,457,165	79%
3018	Environment, Energy & Natural Resources	452,428,918	455,944,671	(3,515,753)	101%
3019	Youth, Gender and Sports	202,115,875	115,624,572	86,491,303	57%
3020	Trade and Cooperative Development	165,091,796	138,918,964	26,172,832	84%
3021	Lands, Housing & Public Works	191,932,095	99,052,637	92,879,458	52%
3022	Transport and Infrastructure	332,262,096	344,346,157	(12,084,061)	104%
3023	Agriculture, Livestock & Fisheries.	156,167,686	83,362,064	72,805,622	53%
	TOTAL	6,687,638,691	5,338,097,031	1,349,541,660	80%

TABLE 3: SHOWING COMPARISON BETWEEN REVISED BUDGET AND ACTUAL EXPENDITURE-RECURRENT FY 2014/2015

DEVELOPMENT FY2014/2015					
S/NO	DEPARTMENTS	Supplementary Budget Submitted to County Assembly on 31 Jan 2015	Actual	Variance	Percentage Utilization
A	B	C	D	E=C-D	F=D/C %
3011	County Secretary	406,206,531	248,571,231	157,635,300	61%
3012	County Assembly	31,350,000	4,785,810	26,564,190	15%
3013	Public Service Board	23,700,000		23,700,000	0%
3014	Finance and Economic planning	510,438,900	309,747,952	200,690,948	61%
3015	Tourism, Betting and Control	51,635,603	19,691,268	31,944,335	38%
3016	Education & Polytechnic	188,000,000	107,512,261	80,487,739	57%
3017	Health Services	339,545,692	54,869,468	284,676,224	16%
3018	Environment, Energy & Natural Resources	309,689,100	232,440,136	77,248,964	75%
3019	Youth, Gender and Sports	80,890,502	5,104,440	75,786,062	6%
3020	Trade and Cooperative Development	414,569,980	138,922,097	275,647,883	34%
3021	Lands, Housing & Public Works	93,761,560	23,848,060	69,913,500	25%
3022	Transport and Infrastructure	597,204,278	451,206,894	145,997,384	76%
3023	Agriculture, Livestock & Fisheries.	135,667,300	46,507,300	89,160,000	34%
	TOTAL	3,182,659,446	1,643,206,917	1,539,452,529	52%

TABLE 4: SHOWING COMPARISON BETWEEN REVISED BUDGET AND ACTUAL EXPENDINTURE-DEVELOPMENT FY 2014/2015

REVENUE ANALYSIS

Revenue.	Annual budgeted	Actual	Variations	Percentage (%) Performance
	FY 2014/2015	FY 2014/2015		
Department/Revenue item	Kshs.	Kshs.		Kshs.
COUNTY ASSEMBLY-County Plants & Equipments Hire	109,134	10,600	(98,534)	10%
COUNTY EXECUTIVE-Legal department fees	1,475,503	300,732	(1,174,771)	20%
COUNTY EXECUTIVE-Valuation & Survey Fees	32,221,577	12,376,578	(19,844,999)	38%
COUNTY PLANNING, LAND AND HOUSING-Land rates and related fees	835,105,454	851,093,660	15,988,205	102%
COUNTY EXECUTIVE-General enforcement charges	8,099,623	1,567,110	(6,532,513)	19%
COUNTY EXECUTIVE-Court Fines	153,525,844	23,940,881	(129,584,963)	16%
FINANCE AND ECONOMIC PLANNING-Financial related income	89,260,483	18,381,403	(70,879,080)	21%
TRADE ENERGY AND INDUSTRY-Sand, Gravel, and Ballast Extraction Fees	1,054,024,392	312,576,037	(741,448,355)	30%
FINANCE AND ECONOMIC PLANNING-Tender Documents Sale	3,634,601	842,000	(2,792,601)	23%
TOURISM-Hotel Levy	56,344,253	7,921,154	(48,423,099)	14%
TRADE ENERGY AND INDUSTRY-Business permit fees	392,855,317	491,873,022	99,017,705	125%
TRADE ENERGY AND INDUSTRY-Market collection	411,006,104	95,150,098	(315,856,006)	23%
YOUTH GENDER AND SPORTS-Stadium & Other Playing Fields	2,000,000	593,905	(1,406,095)	30%
YOUTH GENDER AND SPORTS-Social halls hire	5,967,237	1,185,000	(4,782,237)	20%
COUNTY PLANNING, LAND AND HOUSING-Plot rent & related charges	116,588,306	10,938,542	(105,649,764)	9%

COUNTY PLANNING, LAND AND HOUSING-Housing Estates Monthly Rent	252,672,068	59,419,073	(193,252,995)	24%
COUNTY EDUCATION-Education administration	2,286,669	102,000	(2,184,669)	4%
COUNTY HEALTH-Clinic cost sharing charges & other services.	132,501,363	18,819,573	(113,681,790)	14%
WATER, ENVIRONMENT AND NATURAL RESOURCES-Environment management & related income	76,897,078	1,891,400	(75,005,678)	2%
TRANSPORT, ROADS AND INFRASTRUCTURE-Engineering & works income	1,500,000	81,900	(1,418,100)	5%
TRANSPORT, ROADS AND INFRASTRUCTURE-Fire brigade & ambulance fees	46,515,241	61,711,184	15,195,943	133%
TRANSPORT ROAD AND INFRASTRUTURE-Road maintenance fees	679,806,296	397,651,187	(282,155,109)	58%
COUNTY PLANNING, LAND AND HOUSING-Development control income	292,344,247	47,741,886	(244,602,361)	16%
COUNTY PLANNING, LAND AND HOUSING-Structural Submission/Approval Fees	5,000,000	837,176	(4,162,824)	17%
WATER, ENVIRONMENT AND NATURAL RESOURCES-Advertisement income	474,867,228	75,594,045	(399,273,183)	16%
TOTAL LOCAL REVENUE INCOME.	5,121,608,018	2,492,600,145	(2,629,007,873)	49%

FINANCE AND ECONOMIC PLANNING-National Government Equitable Share.	4,535,164,921	4,914,617,520	379,452,599	108%
COUNTY HEALTH-Conditional Grant	209,605,198	209,605,198	0	100%
COUNTY HEALTH-Donor-(DANIDA)	3,920,000	3,920,000	0	100%
TOTAL NATIONAL GOVERNMENT ISSUES	4,748,690,119	5,128,142,717	379,452,598	108%
Less non revenue items:-			0	
1. Cash Bail	0	14,123,490	(14,123,490)	
2. Imprest.	0	3,593,485	(3,593,485)	
ACTUAL REVENUE COLLECTED.	9,870,298,137	7,603,025,887	2,267,272,250	77%

TABLE 5: SHOWING COMPARISON BETWEEN REVISED BUDGET AND ACTUAL REVENUE FY 2014/2015

C. REVENUE ANALYSIS

10. The County realized Kshs 2,492,600,145 being 49 percent of the budgeted local revenue of Kshs. 5,121,608,018. The total revenue collected was Kshs 7,603,025,887 being 77 percent of the total budgeted revenue of which Kshs 5,128,142,717 was exchequer issues including 100 percent release of the budgeted grants and donor funding. Equitable National share amounted to Kshs. 4,914,617,520 of which Kshs 4,535,164,921 was the allocation for FY 2014/2015 and Kshs. 379,452,599 being funds for FY 2013/2014 which was received in the FY 2014/2015.
11. There was 31 percent increase in the local revenue collected of Kshs 776,731,315 in the 2014/2015 FY from the revenue collected in the FY 2013/2014 of Kshs. 1,715,868,830.
12. The County received Donor Funding from DANIDA of Kshs. 3,920,000 and a Conditional Grant of Kshs. 209,605,198 which were for financing the Health sector.
13. The Departments of Transport and Infrastructure, Trade, Energy and Industry and Lands, Planning and Housing realized more than 100 percent of their budgeted revenues.

Expenditure

14. Total expenditure amounted to Ksh 6,981,303,948 against a target of Ksh 9,870, 298,137 representing an under spending of Ksh 2,888,994,189 (or 34 percent deviation from the revised budget). The shortfall was attributed to lower absorption in both recurrent and development expenditures departments, ambitious budget and stringent procurement procedures. (Table 3 and 4).
15. Recurrent expenditure amounted to Ksh 5.3 billion against a target of Ksh 6.7 billion, representing an under-spending of Ksh 1.4 billion (or 20 percent deviation from the approved recurrent expenditure).
16. Development expenditure was Ksh 1.6 billion compared to a target of Ksh 3.2 billion. This represented an under-spending of approximately Ksh 1.6 billion (or 48 percent deviation from the approved development expenditure). The underperformance in development expenditure reflects low absorption by Departments; delay in procurement and under reporting of externally funded donor projects.

17. In arriving at the revenues and expenditures above, the cash basis was used and therefore uncollected revenues and pending bills were excluded.

Overall Balance and Financing

18. Reflecting the above performance in revenue and expenditure, the County realized 77 percent of the budgeted amount and had an expenditure of 66 percent being the overall fiscal balance of approximately Kshs 622 million representing 11 percent of the total revenue. This is the Cashbook balance and may differ from the bank balance due to reconciliation items that is un-credited receipts and un-cleared real time gross settlements (RTGS) and cheques.

19. The County had a fiscal deficit of Kshs. 2.3 billion to finance.

Implication of 2014/15 fiscal performance on financial objectives contained

In the 2015 CFSP;

20. The performance in the FY 2014/15 has affected the financial objectives set out in the latest CFSP and the Budget for FY 2015/16 in the following ways:

21. The macroeconomic assumptions underpinning the 2015/16 budget and medium term will need to be modified in light of the slower-than-envisaged real GDP growth and the significant deceleration in inflation;

22. The base for revenue and expenditure projections has changed implying the need for adjustment in the fiscal aggregates for the current budget and the medium-term; and

23. Taking into account the slower pace of execution of the budget by County Departments, the base line ceilings for spending agencies will be adjusted and then firmed up in the next CFSP 2016.

24. While we expect the economy to remain resilient, our projections remain cautious. We expect Revenue growth to be 30 percent in 2015/16; representing a 20 percent revision upwards from the 10 percent projected in the CFSP 2014. This is expected to remain

constant for the next two years as we expect to realize revenue from the devolved functions.

25. The implication of a lower expansion in total revenue is due to the need to promote an enabling business environment and balance between rises in cost of living as well as provide efficient service to residents of Mombasa.

26. The under-spending in both recurrent and development budget for the FY 2014/15 has implication on the base used to project expenditures in the FY 2015/16 and the medium term. Appropriate revisions will be undertaken in the CFSP 2016 in the context of this CBROP, taking into account the outturn in expenditures in 2014/15. The slow uptake of external resources remains a challenge. The County Treasury will work closely with the implementing Departments to fast track absorption.

27. Table 6 and 7 provides comparison between the updated Projections in the CBROP 2015 and the CFSP 2015 for the FY 2015/16 and in the medium term.

REVENUE.	ACTUAL FY 2014/2015	PROPOSED 2015/2016	PROPOSED 2016/2017
DEPARTMENT/REVENUE ITEM	KSHS.	KSHS.	KSHS.
COUNTY ASSEMBLY-County Plants & Equipments Hire	10,600	11,660	12,826
COUNTY EXECUTIVE-Legal department fees	300,732	330,805	363,886
COUNTY EXECUTIVE-Valuation & Survey Fees	12,376,578	13,614,236	14,975,659
COUNTY PLANNING, LAND AND HOUSING-Land rates and related fees	851,093,660	936,203,026	1,029,823,328
COUNTY EXECUTIVE-General enforcement charges	1,567,110	1,723,821	1,896,203
COUNTY EXECUTIVE-Court Fines	23,940,881	26,334,969	28,968,466
FINANCE AND ECONOMIC PLANNING-Financial related income	18,381,403	20,219,543	22,241,498

TRADE ENERGY AND INDUSTRY-Sand, Gravel, and Ballast Extraction Fees	312,576,037	343,833,641	378,217,005
FINANCE AND ECONOMIC PLANNING-Tender Documents Sale	842,000	926,200	1,018,820
TOURISM-Hotel Levy	7,921,154	8,713,269	9,584,596
TRADE ENERGY AND INDUSTRY-Business permit fees	491,873,022	541,060,324	595,166,356
TRADE ENERGY AND INDUSTRY-Market collection	95,150,098	104,665,108	115,131,619
YOUTH GENDER AND SPORTS-Stadium & Other Playing Fields	593,905	653,296	718,625
YOUTH GENDER AND SPORTS-Social halls hire	1,185,000	1,303,500	1,433,850
COUNTY PLANNING, LAND AND HOUSING-Plot rent & related charges	10,938,542	12,032,396	13,235,636
COUNTY PLANNING, LAND AND HOUSING - Housing Estates Monthly Rent	59,419,073	65,360,980	71,897,078
COUNTY EDUCATION-Education administration	102,000	112,200	123,420
COUNTY HEALTH-Clinic cost sharing charges & Other services.	18,819,573	20,701,530	22,771,683
WATER, ENVIRONMENT AND NATURAL RESOURCES-Environment management & related income	1,891,400	2,080,540	2,288,594
TRANSPORT, ROADS AND INFRASTRUCTURE-Engineering & works income	81,900	90,090	99,099
TRANSPORT, ROADS AND INFRASTRUCTURE-Fire brigade & ambulance fees	61,711,184	67,882,302	74,670,533
TRANSPORT ROAD AND INFRASTRUTURE-Road maintenance fees	397,651,187	437,416,306	481,157,936
COUNTY PLANNING, LAND AND HOUSING-Development control income	47,741,886	52,516,075	57,767,682
COUNTY PLANNING, LAND AND HOUSING-Structural Submission/Approval Fees	837,176	920,894	1,012,983
WATER, ENVIRONMENT AND NATURAL RESOURCES-Advertisement income	75,594,045	83,153,449	91,468,794
TOTAL LOCAL REVENUE INCOME.	2,492,600,145	2,741,860,160	3,016,046,175

Table 6: Updated Revenue Projections against CFSP'15 Projections, 2014/15-2016/17

RECURRENT FY2014/2015				
S/NO	DEPARTMENTS	ACTUAL FY 2014/2015	PROPOSED 2015/2016	PROPOSED 2016/2017
A	B	D	E=D*1.1	F=E*1.1
3011	County Executive	704,381,006	774,819,106	852,301,017
3012	County Assembly	384,587,073	423,045,780	465,350,358
3013	Public Service Board	34,887,641	38,376,405	42,214,045
3014	Finance and Economic planning	1,392,222,859	1,531,445,145	1,684,589,659
3015	Tourism, Betting and Control	47,168,447	51,885,292	57,073,821
3016	Education & Polytechnic	145,665,216	160,231,738	176,254,912
3017	Health Services	1,391,935,725	1,531,129,298	1,684,242,228
3018	Environment, Energy & Natural Resources	455,944,671	501,539,138	551,693,052
3019	Youth, Gender and Sports	115,624,572	127,187,029	139,905,732
3020	Trade and Cooperative Development	138,918,964	152,810,860	168,091,947
3021	Lands, Housing & Public Works	99,052,637	108,957,901	119,853,691
3022	Transport and Infrastructure	344,346,157	378,780,773	416,658,850
3023	Agriculture, Livestock& Fisheries.	83,362,064	91,698,270	100,868,097
	TOTAL	5,338,097,031	5,871,906,734	6,459,097,407

DEVELOPMENT FY 2014/2015				
S/NO	DEPARTMENTS	ACTUAL FY 2014/2015	PROPOSED 2015/2016	PROPOSED 2016/2017
A	B	D	E=D*1.1	F=E*1.1
3011	County Secretary	248,571,231	273,428,354	300,771,190
3012	County Assembly	4,785,810	5,264,391	5,790,830
3013	Public Service Board		0	0
3014	Finance and Economic planning	309,747,952	340,722,747	374,795,022
3015	Tourism, Betting and Control	19,691,268	21,660,394	23,826,434
3016	Education & Polytechnic	107,512,261	118,263,487	130,089,836
3017	Health Services	54,869,468	60,356,415	66,392,056
3018	Environment, Energy & Natural Resources	232,440,136	255,684,149	281,252,564
3019	Youth, Gender and Sports	5,104,440	5,614,884	6,176,373
3020	Trade and Cooperative Development	138,922,097	152,814,307	168,095,738
3021	Lands, Housing & Public Works	23,848,060	26,232,866	28,856,152
3022	Transport and Infrastructure	451,206,894	496,327,583	545,960,341
3023	Agriculture, Livestock& Fisheries.	46,507,300	51,158,030	56,273,833
	TOTAL	1,643,206,917	1,807,527,608	1,988,280,369

Table 7: Updated Expenditure Projections against CFSP'15 Projections, 2014/15-2016/17

28. Given the above deviations, the revision in revenues and expenditures will be based on the revised assumptions contained in this CBROP and which will be firmed up in the context of the next CFSP. The CG will not deviate from the fiscal responsibility principles, but will make appropriate modification to the CFSP 2016, the financial objectives contained in the latest CFSP, to reflect the changed circumstances.

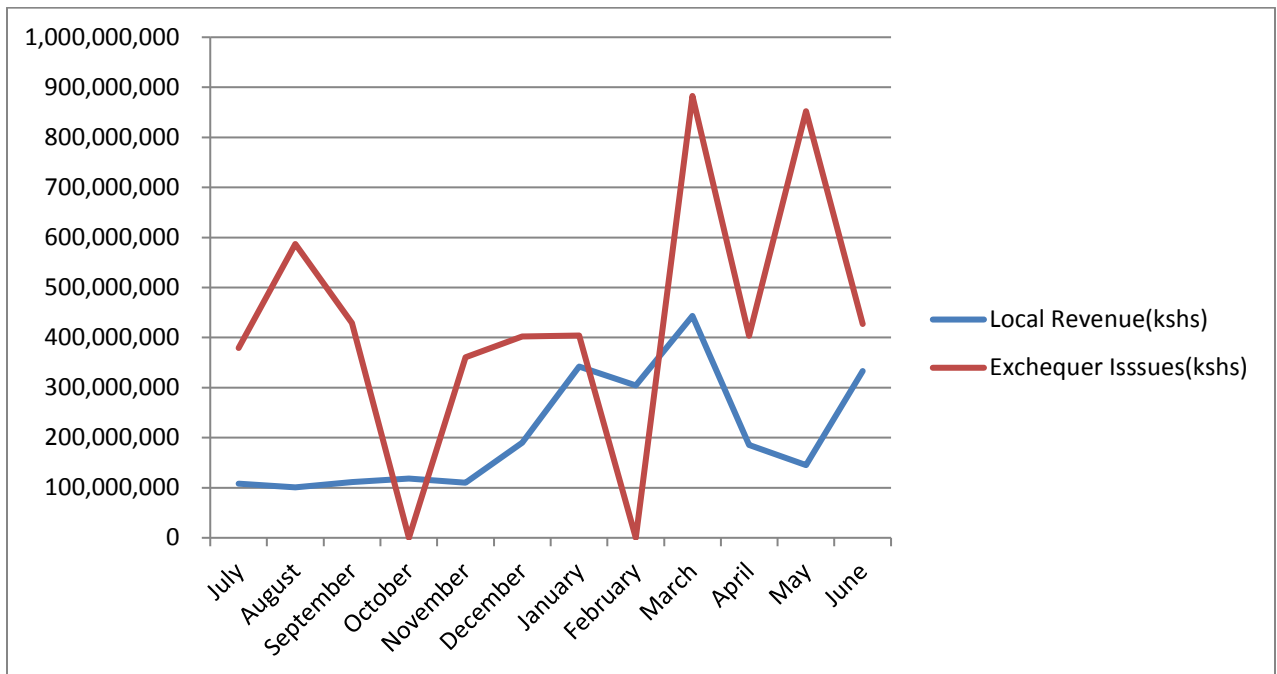
29. The County Government has automated revenue collection in most sources to reduce spillage, rolling out of the valuation roll and creating of a data base of businesses in the county which will increase revenue collection. In addition, we also expect stability in interest rates and exchange rates as a result of the National Government policies, to promote access to credit for private sector and boost investments and consumption thus stimulating growth.

III. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

30. The CG has large growth prospects that will be brought about by construction of Dogo Kundu by-pass, Mazeras- Mwakirunge- Shanzu- Mtwapa by pass, the Airport North road and the standard gauge railway which will improve mobility and reduce traffic congestion in the county.

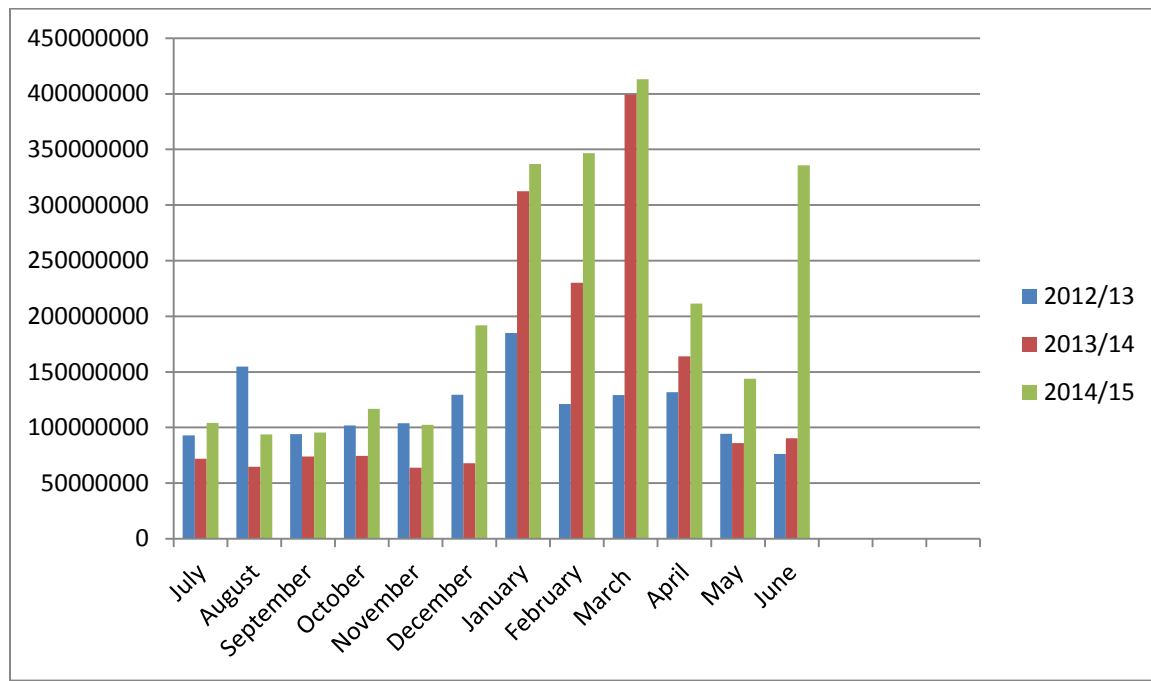
A. Recent Economic Developments

31. Growth in local revenue remained resilient, with a steady collection in the first two quarters with the highest collection being realized in March. The Exchequer issues were highest in the last two quarters of the financial year.



Growth in Revenue remains resilient but downside risks remain

MONTHLY GRAPHICAL COMPARISON FOR REVENUE COLLECTED IN THE FY 2012/13-2014/15



32. Revenue remained constant in the first and second quarters in the FY 2013/14 and FY 2014/15. In the third quarter in both financial years there was a rise in revenue collection attributed highly by the renewal of the single business permits (SBP).

B. Macroeconomic Outlook and Policies

33. The updated macroeconomic framework is cautious given the weaker-than expected recovery in global output and performance in the first quarter of FY 2014/15.

Growth prospects

35. The proposal to build the second Nyali Bridge, Dogo Kundu by-pass, standard gauge railway line increases the revenue growth prospects of Mombasa County. In addition, there is a chance of increasing the local revenue through collection of SBP from the shipping lines, realization of revenue from the forex bureaus, operationalization of the liquor license and capturing of all the health sector revenues.

36. Improvement in the investment climate, security coupled with further structural and legal reforms are expected to improve competitiveness of the private sector, revamp tourism

sector thus promote overall productivity in the economy. This will increase the County Revenue.

37. Whereas the revised projected growth is still below the target envisioned in CIDP needed to increase Mombasa County Growth, the CG recognizes that further scaling up would require mobilization of larger amounts of resources, and more efficient production structure. The next Second phase of CIDP will articulate key priority measures to accelerate growth, taking into account limited public resources.

C. Inflation Outlook

38. We anticipate that the overall inflation would continue in the months ahead, the expected climate change (Elnino rains) will further worsen the situation as this would affect the supply of food leading to an increase in cost of living.

D. Medium Term Fiscal Framework

39. We will continue to pursue prudent fiscal policy to assure stability. In addition, our fiscal policy objective will provide an avenue to support economic activity while allowing for sustainable public finances. As such, the CG is committed to a gradual reduction in the debts. This will help to bring down the debt-to-revenue ratio to well below 15 percent and contribute to reducing pressure in expenditure and to provide adequate cushion against unforeseen events.
40. With respect to revenue, the CG will maintain a strong revenue effort at 30 percent of Revenue Growth over the medium term. Measures to achieve this effort include simplification of the Revenue codes in line with international best practices and improved fees and charges collection with enhanced administrative measures. In addition, the CG will rationalize existing fees and charges incentives, expand the income base and remove exemptions as envisaged in the Constitution.
41. Following the discovery of hydro carbons (petroleum deposits) in our country, the CG will be engaging with stakeholders to develop a comprehensive policy and legislative framework covering licensing, having a competitive edge of the opportunities so created

like exporting, refining or setting up industries that deal with petroleum by-products, and hence increase its revenue.

42. On the expenditure side, the CG will continue with rationalization of expenditure to improve efficiency and reduce wastage. Expenditure management will be strengthened with implementation of the Integrated Financial Management Information System (IFMIS) across Departments .Above all, the new PFM Act, 2012 is expected to accelerate reforms in expenditure management system.
43. The CG remain committed to accessing international capital market with caution, including floating County bonds when the County financial conditions permit ,and in line with the new PFM law, that borrowed resource would be used for development expenditures only.

E. Risks to the Outlook

44. The high wage bill will be a major challenge in the implementation of the budget. The County government inherited staff from the national government in addition to the staff from the defunct Local authority. Recruitment of any additional staff will be based on the outcome of the job evaluation exercise aimed at staff rationalization to achieve a lean and efficient workforce and a sustainable wage bill. Uncertainties associated with transition as the County develops structures will continue to affect revenue collection. Deliberate interventions are being put in place to increase the revenue collection, strengthen controls and seal revenue leakages. Key among these strategies includes automation of processes, integration and digitization of data, collection of high quality data and a mapping of the various revenue sources. Non timely release of funds by the national government will be another challenge as they could lead to disruption in the activities of counties and compromise service delivery.
45. The risk to the outlook for 2015 and medium-term include further weakening in global economic growth, increased inflation and unfavourable weather conditions like the expected Elnino rains in October 2015 onwards. Also, reversal in the current easing of international oil prices may fuel inflation and weaken growth. Finally, the depreciating

Kenyan shilling will weaken investor confidence and slow down growth. Should these risks materialize the CG will undertake appropriate measures to safeguard its stability.

IV. RESOURCE ALLOCATION FRAMEWORK

A. Adjustment to 2015/16 Budget

46. Given the performance in 2014/15 and the updated fiscal outlook, the risks to the FY 2015/16 budget include lack of realization of the projected local revenue which will hinder the full implementation of the budget. Expenditure pressures with respect to salary demands. In addition, implementation pace in the spending units continues to be a source of concern especially with regard to the development expenditures and uptake of external resources. These risks will be monitored closely and the CG would take appropriate measures in the context of the Supplementary Budget.
47. Adjustments to the 2015/16 budget will take into account actual performance of expenditure so far and absorption capacity in the remainder of the financial year because of the resource constraints, the Government will rationalize expenditures by cutting those that are non-priority. These may include slowing down or reprioritizing development expenditures and increased budgeting for debt resolution in order for the Government to live within its means. Utilization of contingencies funds will be within the criteria specified in the new PFM law.
48. Any review of salaries and benefits for the public sector workers will be conducted by the Salaries and Remunerations Commission (SRC) in accordance with Article 230 of the Constitution and Regulations.
49. On the Revenue side, the County Treasury is expected to institute corrective measures to reverse the revenue loss. Options could include enhanced compliance audit, and speedy implementation of collection of other sources of revenue such as Agricultural income, fisheries income, liquor licensing and betting.

50. Departments are expected to prioritize their expenditure and reallocate funds as per their expenditure during the preparation of the supplementary budget guided by the resource availability.

B. Medium-Term Expenditure Framework

51. Going forward, and in view of the limited resources, MTEF budgeting will entail adjusting non-priority expenditures to cater for the priority sectors. In the Meantime, the resource allocation will be based on the Annual Development Plan and the Fiscal Strategy paper.

52. The priority social sectors will continue to receive adequate resources in the budget and are required to utilize the allocated resources more efficiently to generate fiscal space to accommodate other strategic interventions in their sectors.

53. With the CG commitment in improving infrastructure countywide, the share of resources going to priority physical infrastructure sector, such as roads, energy and water will continue to rise over the medium term. This will help the energy sector to provide reliable and affordable energy. The water sector will increase access to water and development of the Fisheries section and youth and women development will continue to receive adequate resources.

54. Reflecting the above medium-term expenditure framework, the table below provides the tentative projected baseline ceilings for the 2015 MTEF, classified by Department.

Medium Term Sector Ceiling 2014/15 - 2016/17, Ksh Million

RECURRENT EXPENDITURE	Budget FY 2014/2015	Budget FY 2015/2016	Budget FY 2016/2017
VOTE R3011 MOMBASA - THE EXECUTIVE	805,110,210	966,115,458	730,633,650
VOTE R3012 MOMBASA - COUNTY ASSEMBLY	405,030,990	557,088,000	367,563,678
VOTE R3013 MOMBASA - PUBLIC SERVICE BOARD	62,094,290	68,703,495	56,350,270
VOTE R3014 MOMBASA - FINANCE AND ECONOMIC PLANNING	1,839,029,276	515,577,875	1,668,910,238
VOTE R3015 MOMBASA - TOURISM DEVELOPMENT	107,649,452	103,314,736	97,691,361
VOTE R3016 MOMBASA – EDUCATION	198,333,117	238,796,774	179,986,352
VOTE R3017 MOMBASA – HEALTH	1,770,392,890	2,322,161,001	1,606,623,047
VOTE R3018 MOMBASA - WATER, ENVIRONMENT AND NATURAL RESOURCES	452,428,918	434,574,953	410,577,070
VOTE R3019 MOMBASA - YOUTH, GENDER AND SPORTS	202,115,875	291,940,577	183,419,186
VOTE R3020 MOMBASA - TRADE, ENERGY AND INDUSTRIAL DEVELOPMENT	165,091,796	363,094,505	149,820,012
VOTE R3021 MOMBASA - COUNTY PLANNING, LAND AND HOUSING	191,932,095	222,786,583	174,177,455
VOTE R3022 MOMBASA - TRANSPORT AND INFRASTRUCTURE	332,262,096	526,922,713	301,526,256
VOTE R3023 MOMBASA - AGRICULTURE, LIVESTOCK AND FISHERIES	156,167,686	321,545,230	141,721,425
TOTAL	6,687,638,691	6,932,621,900	6,069,000,000
DEVELOPMENT EXPENDITURE	Budget FY 2014/2015	Budget FY 2015/2016	Budget FY 2016/2017
VOTE D3011 MOMBASA - THE EXECUTIVE	406,206,531	333,000,000	331,968,659
VOTE D3012 MOMBASA - COUNTY ASSEMBLY	31,350,000	27,000,000	25,620,507
VOTE D3013 MOMBASA - PUBLIC SERVICE BOARD	23,700,000	6,200,000	19,368,613
VOTE D3014 MOMBASA - FINANCE AND ECONOMIC PLANNING	510,438,900	613,472,187	417,151,631
VOTE D3015 MOMBASA - TOURISM DEVELOPMENT	51,635,603	134,871,309	42,198,735
VOTE D3016 MOMBASA – EDUCATION	188,000,000	446,798,746	153,641,321
VOTE D3017 MOMBASA – HEALTH	339,545,692	427,992,690	277,490,683
VOTE D3018 MOMBASA - WATER, ENVIRONMENT AND NATURAL RESOURCES	309,689,100	377,700,000	253,090,650
VOTE D3019 MOMBASA - YOUTH, GENDER AND SPORTS	80,890,502	577,190,004	66,107,040
VOTE D3020 MOMBASA - TRADE, ENERGY AND INDUSTRIAL DEVELOPMENT	414,569,980	247,828,500	338,803,613
VOTE D3021 MOMBASA - COUNTY PLANNING, LAND AND HOUSING	93,761,560	100,500,000	76,625,797
VOTE D3022 MOMBASA - TRANSPORT AND INFRASTRUCTURE	597,204,278	618,207,694	488,059,861
VOTE D3023 MOMBASA - AGRICULTURE, LIVESTOCK AND FISHERIES	135,667,300	114,698,911	110,872,889
TOTAL	3,182,659,446	4,025,460,041	2,601,000,000
TOTAL RECURRENT AND DEVELOPMENT EXPENDITURE/REVENUE	9,870,298,137	10,958,081,941	8,670,000,000

C. Departments Budgets and the Transfer of Functions

55. A key challenge in developing the 2015/16 MTEF budget is the allocation of funds to departments. The departments have to manage their own funds and modality of reporting on timely basis instituted .It is not clear if the IFMIS system can provide such a platform.
56. As such, it will be critical to have the CG Departments capacities strengthened in order to enable them perform their assigned functions effectively and efficiently. Staffs need to be deployed and rationalized to streamline the County activities.
57. Extensive work has been done in providing reporting templates and issuance of budget guidelines so as to ensure consistency in reporting and monitoring progress.

D. 2016/17 Budget Framework

58. The 2016/17 budget framework is set against the background of the updated medium-term macro-fiscal framework set out above.

Revenue Projections

59. The 2015/16 budget targets local revenue of Kshs 5.2 billion and National Government transfer of 5.7 billion. As noted above, this performance will be underpinned by on-going reforms in revenue policy and revenue administration. As such, total revenue including exchequer issues is expected to be Ksh10.9 billion.

Expenditure Forecasts

60. In 2015/16, overall expenditures are projected to be 10.9 Billion

V. CONCLUSION AND WAY FORWARD

61. The fiscal outcome for 2015/16 together with the updated forecast have had ramifications of the financial objectives elaborated in the last CFSP 2014. Going forward, the set of policies outlined in this CBROP 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 Government as a basis of allocation of public resources. Details of the strategic objectives are provided in the CIDP.
62. The fiscal outlook presented herein will seek to achieve the objectives outlined in the PFM Act and lay ground for the next financial year in terms of preparing the CBROP and CFSP. Fiscal discipline will be important in ensuring proper management of funds and delivery of expected output. Effective and efficient utilization of funds especially on capacity building on different sectors of the county will be crucial in ensuring that the County gets to deliver on its functions.
63. Other area worth mentioning is the poor connectivity for the operationalization of IFMIS exacerbated by inadequate human capacity and computer hardware to support the systems. Indeed, Mombasa County experienced a high downtime for IFMIS during the period under review. To solve these challenges, critical user divisions will be given an on-the-job training and the County will utilize optic fiber networks to boost connection.
64. The policies and sector ceilings annexed herewith will guide the Departments in preparation of the 2016/17 budget. This will go a long way in minimizing underutilization greatly visible in the FY 2014/2015. The CG should scale down its budget and then increase it gradually over the medium term as it expands its revenue base. In addition the CG should cease depending on local revenue to fund development expenditure and should strictly set aside at least 30 percent of National Equitable share to fund its development expenditure.

ANNEXES

ANNEX 1. COMPARISON OF EXCHEQUER ISSUES AND LOCAL REVENUE COLLECTION BY ON MONTHLY BASIS.

MONTH	LOCAL REVENUE(KSHS)	EXCHEQUER ISSUES(KSHS)
JULY	107,993,724	379,452,598
AUGUST	100,777,052	586,876,135
SEPTEMBER	111,228,807	429,125,363
OCTOBER	118,510,601	0
NOVEMBER	110,127,777	360,893,811
DECEMBER	190,190,455	402,257,434
JANUARY	342,310,961	404,421,512
FEBRUARY	304,617,946	0
MARCH	443,292,331	882,750,497
APRIL	185,264,925	403,373,486
MAY	145,379,105	851,962,570
JUNE	332,906,461	427,029,311
TOTAL	2,492,600,145	5,128,142,717

To compare Revenue collection between two major sources.

ANNEX 2: COMPARISON OF LOCAL REVENUE BETWEEN FY2014/2015 AND FY 2013/2014

MONTH	LOCAL REVENUE (Kshs)-FY 2014/2015	LOCAL REVENUE (Kshs)-FY 2013/2014
JULY	107,993,724	65,474,678
AUGUST	100,777,052	60,450,661
SEPTEMBER	111,228,807	72,349,333
OCTOBER	118,510,601	69,522,513
NOVEMBER	110,127,777	63,509,029
DECEMBER	190,190,455	66,354,138
JANUARY	342,310,961	316,481,290
FEBRUARY	304,617,946	229,137,754
MARCH	443,292,331	424,318,844
APRIL	185,264,925	154,261,569
MAY	145,379,105	90,435,591
JUNE	332,906,461	103,573,432
TOTAL	2,492,600,145	1,715,868,830

To Compare Local Revenue between two fiscal years.