



COUNTY GOVERNMENT OF MOMBASA
COUNTY TREASURY

**MOMBASA COUNTY BUDGET
REVIEW AND OUTLOOK PAPER**

©SEPTEMBER 2017

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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 fifth to be prepared under the new dispensation. It presents the recent economic developments and actual fiscal performance of the FY 2016/2017 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 October 2016. In this Paper, we will also provide an overview of how the actual performance of the FY 2016/2017 affected the County's compliance with the fiscal responsibility principles and the financial objectives as detailed in the 2017 CFSP.

This is the last CBROP that will be prepared within the last County Integrated Development Plan 2013-2017 as the County embarks on preparing the second generation County Integrated Development Plan 2018-2022 that will outline the County's planning framework that will guide county budgeting, project funding, monitoring and evaluation.

In this CBROP the County is 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 the social sectors and infrastructure development for a stronger and more durable growth tomorrow.

As outlined in the CFSP, the development agenda will be implemented through the five major priority sectors; investing in quality and accessible health care services, provision of quality education, Water and Transport Infrastructure development and improved land services. 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.

The County Treasury will link this CBROP with the other budgetary policy documents as stipulated in the PFM Act.

Hazel J. Koitaba

EXECUTIVE MEMBER FOR FINANCE AND ECONOMIC PLANNING

Acknowledgement

The policy document is prepared in line with the provisions of the Public Financial Management Act, 2012 Article 118(1) (a). The preparation of this County Budget Review and Outlook Paper continues to be a collaborative effort from an array of expertise of professionals in the County Treasury. The information in this policy document has been obtained from the Mombasa County Treasury. We are grateful for their inputs.

Immense appreciation goes to the Executive Member for Finance and Economic Planning for the good will and guidance provided during the entire period of preparation of this document. A core team from the Accounting and the Budget and Economic Planning units spent significant amount of time consolidating this policy document. We are particularly grateful to Ms. Jane Githui (Director Budget & Economic Planning) and Mr. Affan Mohamed (Head of External Economic Affairs) for working tirelessly in the development of this document.

Jonathan Nyongesa

CHIEF OFFICER FINANCE AND ECONOMIC PLANNING

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Abbreviations and Acronyms

BOPA	Budget Outlook Paper
BPS	Budget Policy Statement
BSP	Budget Strategy Paper
CBROP	County Budget Review and Outlook Paper
FY	Financial Year
GDP	Gross Domestic Product
GoK	Government of Kenya
KNBS	Kenya National Bureau of Statistics
SDG	Social 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, 2016/17 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 2017/18 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 the equitable share, local 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, this CBROP contains a review of the fiscal performance of the financial year 2016/17, updated macroeconomic forecast, and deviations from the Fiscal Strategy Paper November 2016.
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 is in the process of preparing the County Integrated Development Plan (CIDP) 2018-2022 from which it will derive the Annual development plans (ADP) 2018-2019, and the CFSP 2018, which will aid budgetary preparation and programming from 2018 onwards.
4. The PFM Act 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 2018/19. However, following the fiscal outcome of 2016/17 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 that the County has 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 2016/17

6. This section is meant to review how the actual financial performance for the 2016/17 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 (35%) as per the Public Finance Management Regulations 2015.
 - 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.

III. OVERVIEW

8. The fiscal performance in 2016/17 has greatly improved compared to other financial years, despite lack of realization of local revenue against the projected collection in the budget and cuts in expenditure. The County was able to implement 82 percent of the supplementary budget of Kshs. 11,647,696,742, out of which 88 percent was recurrent expenditure of Kshs. 6,763,928,603 and 69 percent being development expenditure of Kshs 2,743,147,029. In view of the above the County had an 18 percent budget deficit of Kshs. 2,514,062,210.

IV. FISCAL PERFORMANCE FOR 2016/17

LOCAL REVENUE

Table 1: Local Revenue Collection Over Four Financial Years

MONTH	LOCAL REVENUE FY 2013/2014	LOCAL REVENUE FY 2014/2015	LOCAL REVENUE FY 2015/2016	LOCAL REVENUE FY 2016/2017
JULY	65,474,678.00	107,993,724.00	138,888,662.00	78,327,409.00
AUGUST	60,450,661.00	100,777,052.00	121,870,568.00	138,978,980.00
SEPTEMBER	72,349,333.00	111,228,807.00	123,410,370.00	134,037,320.00
OCTOBER	69,522,513.00	118,510,601.00	115,703,161.00	160,474,776.00
NOVEMBER	63,509,029.00	110,127,777.00	122,057,894.00	183,999,072.00
DECEMBER	66,354,138.00	190,190,455.00	115,254,598.00	151,828,812.00
JANUARY	316,481,290.00	342,310,961.00	337,329,057.00	321,392,757.00
FEBRUARY	229,137,754.00	304,617,946.00	200,260,788.00	303,286,028.00
MARCH	424,318,844.00	443,292,331.00	308,215,252.00	469,422,317.00
APRIL	154,261,569.00	185,264,925.00	612,075,951.00	365,071,728.00
MAY	90,435,591.00	145,379,105.00	376,582,733.00	328,912,588.00
JUNE	103,573,432.00	332,906,461.00	371,871,652.00	530,509,174.00
ACTUAL	1,715,868,832.00	2,492,600,145.00	2,943,520,686.00	3,166,240,961.00



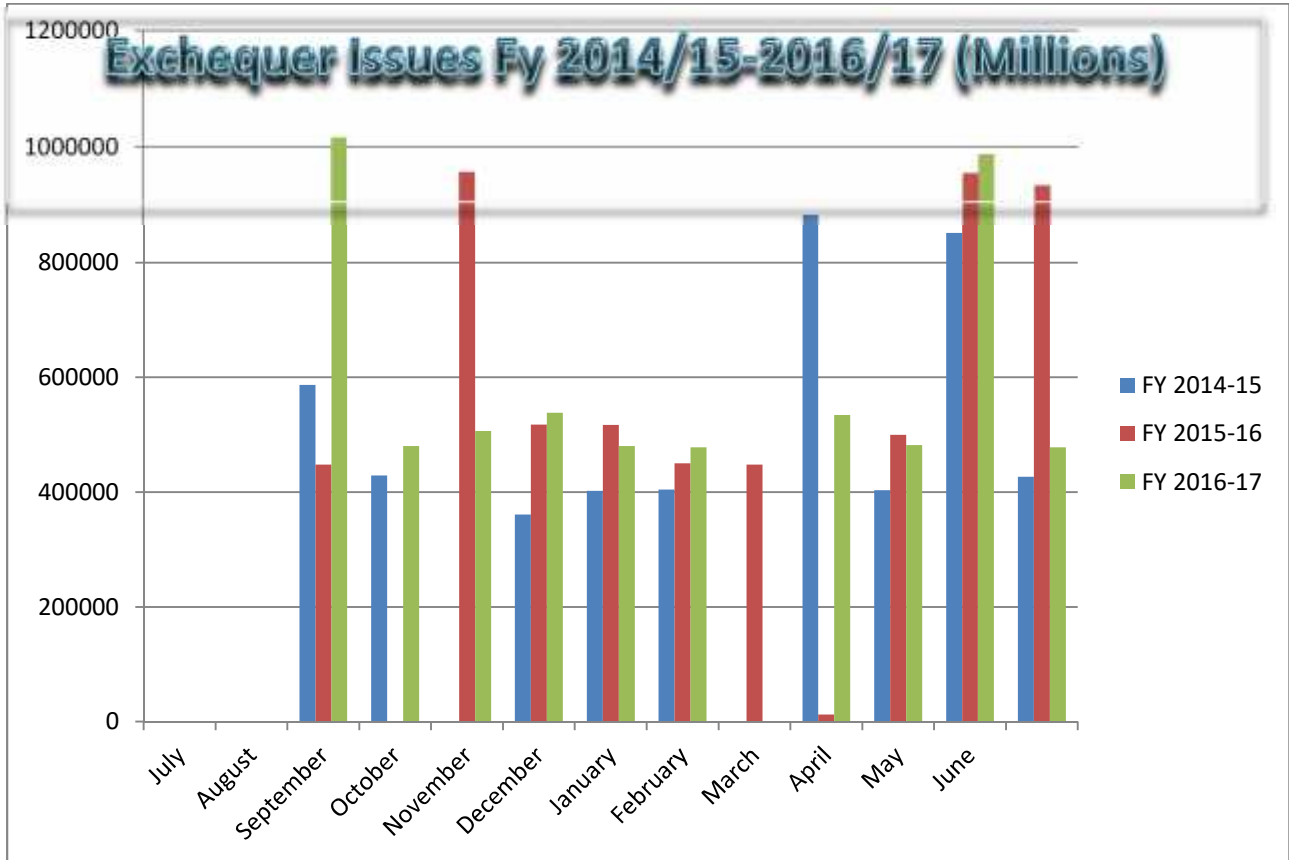
Source: Table 1

EXCHEQUER ISSUES

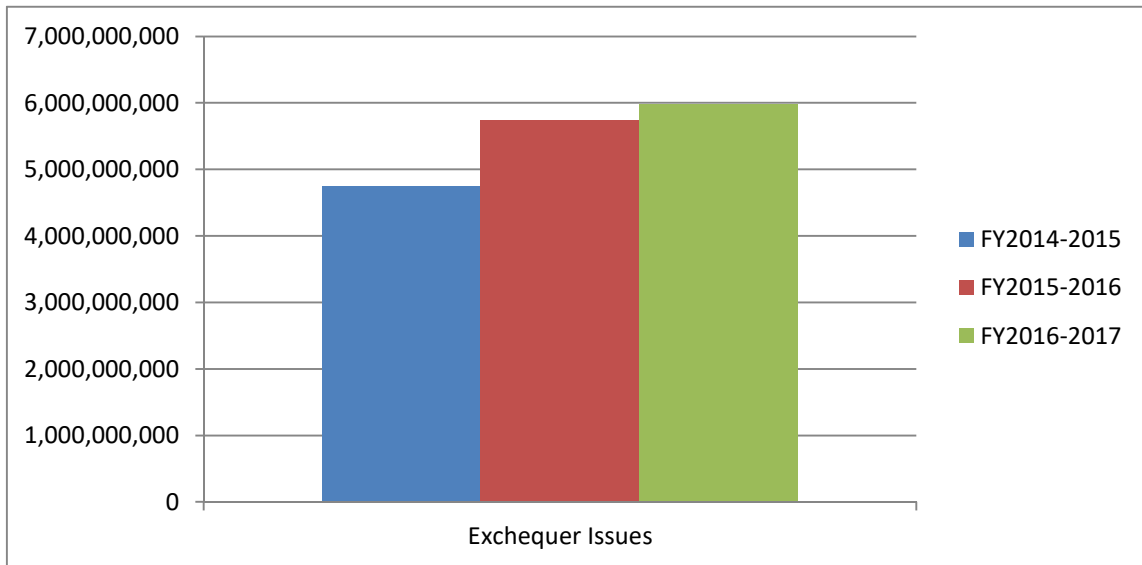
9. Exchequer issues from the National Government increased over the last three financial years as shown below.

Table 2: Monthly Exchequer Issues Over Three Financial Years

MONTH	KSHS. EXCHEQUER ISSUES 2014-2015	KSHS. EXCHEQUER ISSUES 2015-2016	KSHS. EXCHEQUER ISSUES 2016-2017
JULY	0	0	0
AUGUST	586,876,135	448,064,387	1,016,351,141
SEPTEMBER	429,125,363	0	480,132,601
OCTOBER	0	957,032,726	506,325,859
NOVEMBER	360,893,811	517,858,857	538,068,251
DECEMBER	402,257,434	517,237,435	480,132,601
JANUARY	404,421,512	450,078,941	478,282,890
FEBRUARY	0	448,064,387	0
MARCH	882,750,497	12,399,574	534,368,829
APRIL	403,373,486	500,043,327	481,982,311
MAY	851,962,570	955,030,610	987,758,749
JUNE	427,029,311	933,956,255	478,282,887
TOTAL	4,748,690,119	5,739,766,499	5,981,686,119



Source: Table 2



Source: Table 2

COUNTY DEPARTMENTAL EXPENDITURE

10. The figures and tables below portray the County departmental utilization of funds in terms of development and recurrent expenditure. They present the fiscal performance for the FY 2016/17 and the deviations from the Original and Revised budget estimates.

Table 3: Departmental %Age Expenditure As Compared to the Total Budget

2016/2017 DEPARTMENTAL RECURRENT EXPENDITURE

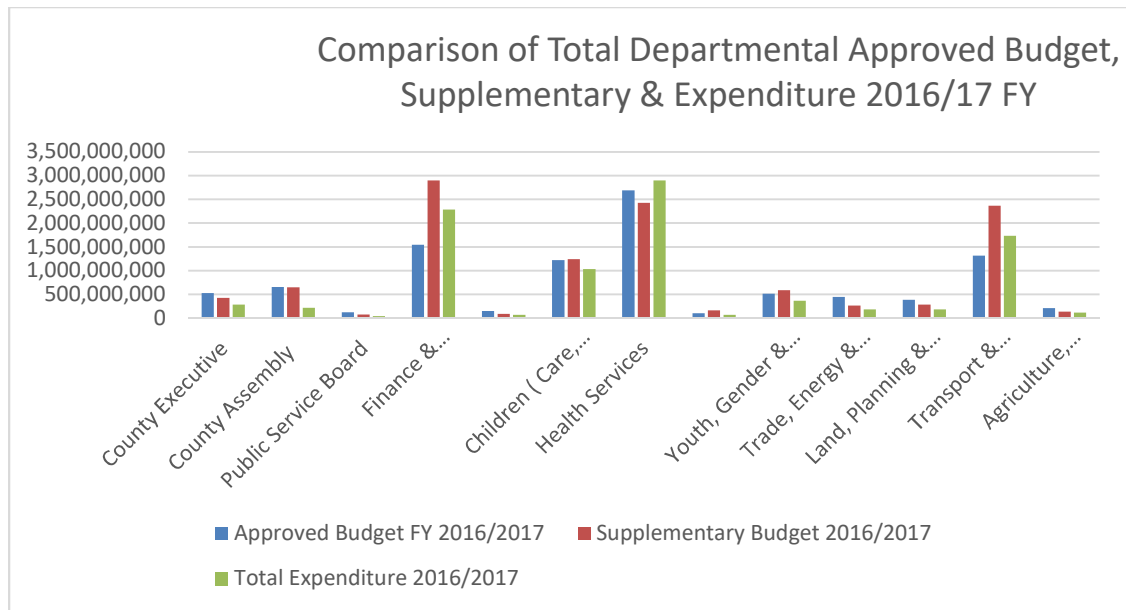
S/NO	DEPARTMENTS	Approved Budget FY 2016/2017	Supplementary Budget 2016/2017	Total Recurrent Expenditure	%age
3011	County Executive	338,231,610	299,821,317	218,164,489	73%
3012	County Assembly	618,543,360	652,217,202	540,457,810	83%
3013	Public Service Board	107,384,365	78,448,976	47,783,171	61%
3014	Finance & Economic Planning	1,069,958,796	1,940,242,826	1,219,709,593	63%
3015	Tourism Development and Culture	118,510,365	90,108,685	70,677,866	78%
3016	Children (Care, Education, Environment)	830,743,324	1,041,918,231	872,685,884	84%
3017	Health Services	2,339,643,755	2,296,387,520	2,829,980,333	123%
3018	Water & Natural Resources	46,865,815	114,816,233	49,740,699	43%
3019	Youth, Gender & Sports	163,415,320	154,937,574	110,495,992	71%
3020	Trade, Energy & Industry	329,585,083	210,090,836	148,296,133	71%
3021	Land, Planning & Housing	217,768,303	146,173,429	108,593,484	74%
3022	Transport & Infrastructure	490,916,847	504,399,543	433,392,178	86%
3023	Agriculture, Livestock & Fisheries	178,315,976	128,274,401	113,950,971	89%
	TOTAL	6,849,882,919	7,657,836,773	6,763,928,603	88%

2016/2017 DEPARTMENTAL DEVELOPMENT EXPENDITURE

S/NO	DEPARTMENTS	Original Budget FY 2016/2017	Supplementary Budget FY 2016/2017	Total Development Expenditure	%age
3011	County Executive	191,195,979	130,660,814	68,615,528	53%
3012	County Assembly	40,613,408	0	0	0%
3013	Public Service Board	19,197,984	0	0	0%
3014	Finance & Economic Planning	475,005,592	958,918,483	745,371,502	78%
3015	Tourism Development and Culture	33,442,835	2,500,000	0	0%
3016	Children (Care, Education, Environment)	393,606,748	202,375,455	160,384,533	79%
3017	Health Services	350,075,022	131,869,596	69,375,246	53%
3018	Water & Natural Resources	60,000,000	54,167,968	23,706,897	44%
3019	Youth, Gender & Sports	352,458,256	433,558,448	259,219,822	60%
3020	Trade and Cooperative Development	120,341,126	56,792,268	37,945,627	67%
3021	Lands, Housing & Public Works	173,669,448	139,490,482	77,378,199	55%
3022	Transport and Infrastructure	827,711,617	1,864,954,455	1,298,454,676	70%
3023	Agriculture, Livestock & Fisheries	38,553,359	14,572,000	2,695,000	18%
	TOTAL	3,075,871,374	3,989,859,969	2,743,147,029	69%

2016/2017 TOTAL DEPARTMENTAL EXPENDITURE

	DEPARTMENTS	Approved Budget FY 2016/2017	Supplementary Budget FY 2016/2017	Total Expenditure	%age
3011	County Executive	529,427,589	430,482,131	286,780,017	67%
3012	County Assembly	659,156,768	652,217,202	540,457,810	83%
3013	Public Service Board	126,582,349	78,448,976	47,783,171	61%
3014	Finance & Economic Planning	1,544,964,388	2,899,161,309	1,965,081,096	68%
3015	Tourism Development and Culture	151,953,200	92,608,685	70,677,866	76%
3016	Children (Care, Education, Environment)	1,224,350,072	1,244,293,686	1,033,070,417	83%
3017	Health Services	2,689,718,777	2,428,257,116	2,899,355,579	119%
3018	Water & Natural Resources	106,865,815	168,984,201	73,447,595	43%
3019	Youth, Gender & Sports	515,873,576	588,496,022	369,715,814	63%
3020	Trade, Energy & Industry	449,926,209	266,883,104	186,241,760	70%
3021	Land, Planning & Housing	391,437,751	285,663,911	185,971,683	65%
3022	Transport & Infrastructure	1,318,628,464	2,369,353,998	1,731,846,854	73%
3023	Agriculture, Livestock & Fisheries	216,869,335	142,846,401	116,645,971	82%
	TOTAL	9,925,754,293	11,647,696,742	9,507,075,631	82%



Source: Table 3

DETAILED REVENUE ANALYSIS

TABLE 4:

1. EQUITABLE SHARE (EXCHEQUER RELEASES)

	BUDGET	ACTUAL RECEIVED
Equitable Share	5,608,593,922	5,608,593,922

	BUDGET	ACTUAL RECEIVED
DANIDA	3,150,000	3,150,000

	BUDGET	ACTUAL RECEIVED
Level 5 Hospital Grant	369,942,197	369,942,197
TOTAL EXCHEQUER ISSUES	5,981,686,119	5,981,686,119

	BUDGET	ACTUAL RECEIVED
Leasing of medical Equipment Grant	95,744,681	35,823,495
user fees forgone	23,514,312	23,514,312
Free Maternal Health Care Grant	125,722,505	125,722,505
	244,981,498	185,060,312

	BUDGET	ACTUAL RECEIVED
Other Loans and Grants-Nurses and Doctors Arrears	16,000,000	111,828,000

	BUDGET	ACTUAL RECEIVED
World Bank	29,106,112	0

6. FUEL LEVY ALLOCATION

	BUDGET	ACTUAL RECEIVED
Road maintenance levy Grant	86,176,009	86,176,008
TOTAL REVENUE FROM NATIONAL GOVERNMENT	6,357,949,738	6,364,750,439

10. COUNTY OWN GENERATED REVENUE

REVENUE	ANNUAL BUDGETED	GRAND ACTUAL RECEIVED
Other Property Income-RATES		
Land Rates Current Year	528,035,361	568,995,403
Land Rates Penalties	163,190,152	216,511,713
Land Rates Other Years	135,581,851	150,882,238
Other Property Charges	3,113,356	26,012
Ground Rent - Current Year	5,620,037	2,304,399
Ground Rent - Other Years	1,392,904	1,737,047
Administration Cost	15,831,597	195,370
Other Property Income	852,765,257	940,652,182

Receipts from Administrative Fees and Charges

REVENUE	ANNUAL BUDGETED	GRAND ACTUAL RECEIVED
County Plants & Equipments Hire	126,138	
Document Search Fee	1,683,111	237,900
Sales of County's Minutes / Bylaws	22,256	4,000
Valuation & Survey Fees	4,670,034	2,023,000
Ground Rent- current Year		264,713,743
Plot Transfer Fee	5,347,009	323,000
Provisional Assessment Fees	2,336,882	1,801,000
Consent to Sub-Lease	166,920	586,000
Sales of County's Maps		1,300
Beacon Search pointing Fee	1,556,678	42,500
Survey Fee	6,259,506	182,122
Subdivision & Consolidation Fees	9,398,553	3,722,500
Change of User	4,416,429	2,340,000
Temporary Occupation Licence (TOL)	4,645,945	889,600
Impounding charges	222,560	0
Dog Licences	806,781	140,995
Storage Fee	5,410,994	1,057,727
Training/Learning Center Fee	2,921,103	40,000
Debts Clearance Certificate Fee	67,477,473	10,357,000
Refund of Over Payment	29,147,542	206,161
Consent to Charge Fee/Property certification Fee (Use as collateral)	879,113	301,000
Incidental Charges	4,471,637	0

Imprest	1,190,334	1,679,099
Other Property Charges	256,815,087	5,254,266
Application Fee		200
Sand, Gravel, and Ballast Extraction Fees	961,384,722	447,600,903
Mineral Extraction Royalties (Cement, Silica, etc.)		24,376,750
Incidental Charges	27,820	92,000
Tender Documents Sale	4,200,824	127,000
Hotel Levy	65,121,952	6,578,930
Stadium Hire	1,420,261	0
Stadium Entrance Fee	2,130,391	0
Social Hall Hire	4,290,338	555,300
Hire of County Grounds	1,367,438	134,500
Digging poles	13,248	0
Emptying cesspits Septic Soakage Pits	11,922	0
Sewer Connection Charge	9,273	0
Sewer Use Charge	397	0
County Vehicles Hire	159	0
Fire Inspection Fees	52,412,929	4,387,230
Hearse Services Fee	776,179	21,500
Fire-Fighting Services	2,306,281	1,423,000
Land Scape Scheme		62,250
Hoarding & Scaffolding Charges	3,348,139	53,100
Occupational Permits	17,709,254	0
Buildings Plan Preparation Fee	258,214,497	7,835,543
Buildings Plan Approval Fee	38,978,444	31,520,393
Buildings Inspection Fee	16,222,141	0
Demolition of Structures	3,415,188	297,185
Receipts from Administrative Fees and Charges	1,843,333,884	820,968,697

Business Permits / Cesses

REVENUE	ANNUAL BUDGETED	GRAND ACTUAL RECEIVED
Business Permits, Current Year	385,094,781	403,030,694
Business Permits Late Payment Penalties, Current Year	12,898,679	146,390
Business Permits, Other Years (Including Penalties)	1,232,647	45,150
Business Subletting / Transfer Fee	1,936,842	597,000
Business Permits / Cesses	401,162,949	403,819,234

Plot Rents

REVENUE	ANNUAL BUDGETED	GRAND ACTUAL RECEIVED
Plot Transfer Fee	1,845,858	27,200
Document Search Fee	166,920	1,000
Allottees Documents		12,016
Instalment Fee (HDD Scheme)	5,252,560	540
Annual Ground Rent (HDD Scheme)	6,281,178	1,567,512
Material Loan (HDD Scheme)		0
Plots Charges (HDD Scheme)	119,118,223	8,776,559
Survey Fee	2,086,502	131,250
Plot Rents	134,751,242	10,516,077

Market/Trade Centre fees

	ANNUAL BUDGETED	GRAND ACTUAL RECEIVED
0302-02-05 Mackinnon Market		0
Market Stalls Rent	24,270,991	3,662,752
Off loading		0
		0
0302-03-05 Makupa Market		0
Market Stalls Rent	11,949,950	1,120,710
		0
0302-04-05 Mombasa Wholesale market		0
Market Entrance / Gate Fee	166,468,137	9,747,512
Market Stalls Rent(Rental store w/s mkt)		4,924,869
		0
Off loading	11,366,150	3,437,743
Hawking Fee	162,214,539	22,221,580
		0
0302-05-05 Magongo Market		0
Market Stalls Rent	11,270,930	979,490
Off loading		0

		0
0302-06-05 Likoni Open Air Market		0
Market Stalls Rent	4,125,437	46,750
		0
0302-07-05 Port Tudor, Kongowea & Likoni Market		0
Market Stalls Rent	860,617	104,600
		0
0302-08-05 Segaa Market		0
Market Stalls Rent	11,444,632	1,462,200
Off loading		0
		0
0302-09-05 Chaani Open Air Market		0
Market Stalls Rent	13,872,522	730,100
		0
0302-10-05 Mikindani Market		0
Market Stalls Rent	6,829,671	817,200
	0	0
0302-11-05 Mwenbe Tayari Market		0
Market Stalls Rent	10,816,935	1,513,007
Off loading		0
		0
0302-12-05 Kisauni Retail Stall Market		0
Market Stalls Rent	32,719,254	4,391,500
		0
0302-13-05 Hawkers		0
		0
0302-14-05 Migadini Market		0
Market Stalls Rent	6,825,722	0
Market/Trade Centre fees	475,035,488	55,160,013
Vehicle Parking Fees	ANNUAL BUDGETED	GRAND ACTUAL RECEIVED
Road Reinstatement charges		0
Drainage Certificate Charges	5,516,380	9,000
Road Cutting Application Fees	8,776,010	1,392,350
Other Vehicles Enclosed Park Fees (Cars, lorries, etc.)	5,935,234	109,100
Street Parking Fee	19,871,212	251,045,611
Storage Fee		0
Clamping Fee		0
Towing Fee.	111,603	105,000
KAPS - Parking Fees		0
TLB Matatu Levy	729,584,638	186,587,586
Penalties For Illegal Connections		23,463,100
Right-of-Way / Way-Leave Fee (KPLN, Telkom, etc)	15,881,162	51,229,450
Vehicle Parking Fees	785,676,239	513,941,197
Housing	ANNUAL BUDGETED	GRAND ACTUAL RECEIVED
Housing Estates Monthly Rent	258,015,271	52,203,372
Housing	258,015,271	52,203,372
Environment and Conservancy Administration	ANNUAL BUDGETED	GRAND ACTUAL RECEIVED
Decorations Adverts on Vehicle	46,014,510	5,175,750
		0
Storage Fee		0
Sign Boards & Advertisement Fee	48,351,887	50,438,719
Game and Nature Park Fees		0
Horticulture Consultation Fee		240,400
Water Conservation		
0703-06-05 Cemeteries		
Cemeteries Charges	990,393	251,500
		0
0703-07-05 Mazeras Nurseries Unit		
Sale of Trees-Seedlings-Firewood-Flowers-Produce, etc.		0
		0
0703-14-05 Refuse Disposal (Nguu Tatu)		
Garbage Dumping Fee	77,217,265	1,656,400
Refuse Collection Fee	10,668,981	421,500

Encroachment	22,534,226	60,000
Removal Fees (Adverts, barriers, poles etc.)		0
Environment and Conservancy Administration	205,777,262	58,244,269

	ANNUAL BUDGETED	GRAND ACTUAL RECEIVED
Other Education Related Fees		
Sale of Type 3 County Assets		0
Inspection Schools for Registration		0
Secondary & tertiary Institutions(Education comission)		0
Hire of School Fields	166,920	0
Hire of Classrooms		0
Hire of School Halls		0
Tuition Fees Public Nursery	1,556,679	0
Research Charges		0
Filming in Schools		0
Other Education Related Fees	1,723,599	0

	ANNUAL BUDGETED	GRAND ACTUAL RECEIVED
Other Health and Sanitation Revenues		
Vaccination & Inoculation Fees		0
Age Assessment		0
Medical Examination	359,958	0
X-ray examination Fees		0
Sundry Income		1,348,366
		0
		0
0702-07-05 Mainland Dispensaries		0
Cost Sharing Services	919,304	53,307
		0
0702-09-05 Magongo Health Centre		0
Cost Sharing Services	86,738	0
		0
0702-10-05 Mvita Clinic		0
Cost Sharing Services	101,948	0
		0
0702-12-05 Old County Dispensary		0
Cost Sharing Services	38,871	0
		0
0702-13-05 Kongowea Health Centre		0
Cost Sharing Services	25,177	0
Premises Inspection Fees		0
		0
0702-14-05 Bamburi Health Sub-Centre		0
Cost Sharing Services	32,214	0
		0
0702-15-05 Chaani Dispensary		0
Cost Sharing Services	17,575	0
		0
0702-16-05 Mikindani Health Dispensary		0
Cost Sharing Services	132,163	39,937
		0
0702-17-05 Ganjoni C.D. Centre		0
Cost Sharing Services	2,564,243	0
Premises Inspection Fees		0
		0
0702-19-05 Public Health Offices		0
Inoculation Fee	13,072,803	0
Medical Clearance Certificate Fees	1,824,573	5,000
		0
0702-20-05 Public Health Inspectorate		0
Food Preparation Premises Hygienization	113,496,621	0
Services Fee		0
Health Inspection Fees	7,932,139	0
Premises Inspection Fees	8,670,566	301,843,343
		0
0702-22-05 Shika Adabu Clinic		0
Cost Sharing Services	4,572	0
		0

0702-23-05 Mtongwe Clinic		0
Cost Sharing Services	8,768	0
0702-24-05 Majengo Clinic		
Cost Sharing Services	8,189	10,143
		0
0702-26-05 Mwenbe Tayari Clinic		0
Cost Sharing Services	9,471	0
		0
0702-27-05 Ganjoni Clinic		0
Cost Sharing Services	4,734,007	0
		0
0702-29-05 Mwakirunge Clinic		0
Cost Sharing Services		0
		0
0702-30-05 Kisauni Clinic		0
Cost Sharing Services	4,768	0
		0
0702-31-05 Miritini Clinic		0
Cost Sharing Services	5,478	0
		0
0702-32-05 Jomvu Kuu Clinic		0
Cost Sharing Services	2,797	0
		0
0702-33-05 Utange Clinic		0
Cost Sharing Services	7,405	0
		0
0702-34-05 Maunguja Clinic		0
Cost Sharing Services	2,302	0
Other Health and Sanitation Revenues	154,062,649	303,300,096

	ANNUAL BUDGETED	GRAND ACTUAL RECEIVED
Fines Penalties and Forfeitures		
Court Fines	88,721,582	4,668,824
Cash Bail	88,721,582	2,767,000
Fines Penalties and Forfeitures	177,443,163	7,435,824
TOTAL COUNTY OWN REVENUE	5,289,747,004	3,166,240,961
GRAND TOTAL	11,647,696,742	9,530,991,400

TABLE 4: SHOWING COMPARISON BETWEEN REVISED BUDGET AND ACTUAL REVENUE FY 2016/2017

REVENUE ANALYSIS FOR 2016/17 FY

10. The County realized Kshs 3,166,240,961 being 60 percent of the budgeted local revenue of Kshs. 5,289,747,004. The total revenue collected was Kshs 9,530,991,400 being 82 percent of the total budgeted revenue of which Kshs 5,981,686,119 was exchequer issues and Kshs 383,064,320 transfers from other National Government entities including budgeted grants and donor funding. Equitable National share amounted to Kshs. 5,608,593,922 which was 100 percent of the County allocation.
11. There was 8 percent increase in the local revenue collected of Kshs 222,710,275 in the 2016/2017 FY from the revenue collected in the FY 2015/2016 of Kshs. 2,943,530,686.
12. The County received Donor Funding from DANIDA of Kshs. 3,150,000, Health Conditional Grants of Kshs. 555,002,509, Road Maintenance Levy Grant of Kshs. 86,176,008 and other Loans and Grants of Kshs. 111,828,000.
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 9,507,075,631 against a target of Ksh 11,647,696,742 representing an under spending of Ksh 2,140,621,111 (or 18 percent deviation from the revised budget). The shortfall was attributed to lower absorption in both recurrent and development expenditures due to unrealized local revenue.
15. Recurrent expenditure amounted to Ksh 6.8 billion against a target of Ksh 7.7 billion, representing an under-spending of Ksh 900 million (or 12 percent deviation from the approved recurrent expenditure).
16. Development expenditure was Ksh 2.7 billion compared to a target of Ksh 4 billion. This represented an under-spending of approximately Ksh 1.3 billion (or 33 percent deviation from the approved development expenditure). The underperformance in development expenditure reflects low absorption by Departments; unrealized local revenues, 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 82 percent of the budgeted amount and had an expenditure of the same percentage. There was an overall fiscal balance of approximately Kshs 24 million. 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 billion to finance.

Implication of 2016/17 fiscal performance on financial objectives contained

In the 2017 CFSP;

20. The performance in the FY 2016/17 has affected the financial objectives set out in the latest CFSP and the Budget for FY 2017/18 in the following ways:
21. The macroeconomic assumptions underpinning the 2017/18 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; adjustments will be made to fiscal aggregates to reflect revisions in the macroeconomic projections as well as revenue performance for the first two quarters of FY 2017/18;
22. The base for revenue and expenditure projections has changed with an increase in total National Government Revenue allocation implying the need for an upward 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 reasons for the deviations, as explained above, from the financial objectives include: lower than projected revenue collection; under-spending in both recurrent and development; under-reporting on donor funding by Departments thus the base line ceilings for spending agencies will be adjusted and then firmed up in the next CFSP 2018.

24. While we expect the economy to remain resilient, our projections remain cautious. We expect Revenue growth to be 10 percent in 2018/19; representing a 10 percent revision upwards from the 10 percent projected in the CFSP 2017. This is expected to remain constant for the next two years as we expect to realize revenue from the devolved functions.
25. The under-spending in both recurrent and development budget for the FY 2016/17 additionally has implications on the base used to project expenditures in the FY 2017/18 and the medium term. Appropriate revisions have been undertaken in the context of this CBROP, taking into account the budget outturn for the FY 2016/17. The County Treasury will work closely with the implementing Departments to fast track absorption.

26. Table 5 and 6 provides comparison between the updated Projections in the CBROP 2016 and the CFSP 2016 for the FY 2017/18 and in the medium term.

REVENUE	ACTUAL FY 2016/2017	PROPOSED 17/18	PROPOSED 18/19
DEPARTMENT/REVENUE ITEM	KSHS.	KSHS.	KSHS.
COUNTY EXECUTIVE-Cash Bail	2,767,000	6,504,731	7,220,251
COUNTY PLANNING, LAND AND HOUSING-Land rates and related fees	936,389,354	959,506,495	1,065,052,209
COUNTY EXECUTIVE-Court Fines	4,668,824	10,180,981	11,300,889
TRADE ENERGY AND INDUSTRY-Business permit fees	403,819,234	462,330,659	513,187,031
TRADE ENERGY AND INDUSTRY-Market collection	55,160,013	57,431,080	63,748,499
COUNTY PLANNING, LAND AND HOUSING-Plot rent & related charges	10,516,077	19,358,612	21,488,059
COUNTY PLANNING, LAND AND HOUSING - Housing Estates Monthly Rent	52,203,372	98,825,514	109,696,321
COUNTY HEALTH-Clinic cost sharing charges & Other services.	303,300,096	360,000,000	399,600,000
WATER, ENVIRONMENT AND NATURAL RESOURCES-Environment and Conservancy Administration	58,244,269	61,381,175	68,133,104
COUNTY PLANNING, LAND AND HOUSING-Other property Income	4,262,828	5,510,132	6,116,247
COUNTY PLANNING, LAND AND HOUSING-Receipts from Administrative Fees and Charges	73,311,141	80,427,203	89,274,195
COUNTY PLANNING, LAND AND HOUSING- Ground Rent	264,713,743	280,596,568	311,462,190
TRADE ENERGY AND INDUSTRY- Sand, Gravel, and Ballast Extraction Fees	447,600,903	509,374,037	565,405,181
TRADE ENERGY AND INDUSTRY- Mineral Extraction Royalties (Cement, Silica, etc.)	24,376,750	25,850,277	28,693,807
TOURISM-Hotel Levy	6,578,930	13,294,404	14,756,788
TRANSPORT, ROADS AND INFRASTRUCTURE- Fire Inspection Fees	4,387,230	4,650,464	5,162,015
TRANSPORT, ROADS AND INFRASTRUCTURE-Street Parking Fee	251,045,611	266,108,348	295,380,266
TRANSPORT, ROADS AND INFRASTRUCTURE-TLB Matatu Levy	186,587,586	197,782,841	219,538,954
TRANSPORT, ROADS AND INFRASTRUCTURE-Right-of-Way / Way-Leave Fee	51,229,450	54,303,217	60,276,571
TRANSPORT, ROADS AND INFRASTRUCTURE-Other Vehicle Parking Fees	25,078,550	26,583,263	29,507,422
	3,166,240,961	3,500,000,000	3,885,000,000

Table 6: Updated Revenue Projections against CFSP'16 Projections, 2016/17-2018/19

RECURRENT FY 2016/2017					
S/NO	DEPARTMENTS	ACTUAL FY 2016/2017	NEW DEPARTMENTS	PROPOSED 2017/2018	PROPOSED 2018/2019
S/NO	DEPARTMENTS	C	D	E	F=E*1.1
3011	County Executive	218,164,489	County Executive	375,123,017	412,635,319
3012	County Assembly	540,457,810	County Assembly	611,938,336	673,132,170
3013	Public Service Board	47,783,171	Public Service Board	136,119,894	149,731,883
3014	Finance & Economic Planning	1,219,709,593	Finance & Economic Planning	957,221,589	1,052,943,748
3015	Tourism Development and Culture	70,677,866	Environment, Waste Management and Energy	457,992,811	503,792,092
3016	Children (Care, Education, Environment)	872,685,884	Education, Information Technology & MV 2035	800,809,352	880,890,287
3017	Health Services	2,829,980,333	Health Services	2,520,449,992	2,772,494,991
3018	Water & Natural Resources	49,740,699	Water, Sanitation & Natural Resources	138,429,394	152,272,334
3019	Youth, Gender & Sports	110,495,992	Youth, Gender , Sports and Cultural Affairs	366,825,511	403,508,062
3020	Trade, Energy & Industry	148,296,133	Trade, Tourism & Investment	445,316,159	489,847,775
3021	Land, Planning & Housing	108,593,484	Lands, Housing and Physical Planning	220,183,410	242,201,751
3022	Transport & Infrastructure	433,392,178	Transport & Infrastructure	500,807,858	550,888,644
3023	Agriculture, Livestock & Fisheries	113,950,971	Agriculture, Fisheries, Livestock and Co-operatives	207,307,527	228,038,280
3026			Devolution & Public Service Administration	833,353,864	916,689,250
	TOTAL	6,763,928,603		8,571,878,715	9,429,066,586

DEVELOPMENT FY 2016/2017		ACTUAL FY 2016/2017	NEW DEPARTMENTS	PROPOSED 2017/2018	PROPOSED 2018/2019
S/NO	DEPARTMENTS	C	D	E	F=E*1.1
3011	County Executive	68,615,528	County Executive	81,648,620	89,813,482
3012	County Assembly	0	County Assembly	44,268,615	48,695,477
3013	Public Service Board	0	Public Service Board	20,925,803	23,018,383
3014	Finance & Economic Planning	745,371,502	Finance & Economic Planning	502,657,429	552,923,172
3015	Tourism Development and Culture	0	Environment, Waste Management and Energy	56,452,690	62,097,959
3016	Children (Care, Education, Environment)	160,384,533	Education, Information Technology & MV 2035	370,414,890	407,456,379
3017	Health Services	69,375,246	Health Services	531,581,774	584,739,951
3018	Water & Natural Resources	23,706,897	Water, Sanitation & Natural Resources	352,650,000	387,915,000
3019	Youth, Gender & Sports	259,219,822	Youth, Gender , Sports and Cultural Affairs	284,179,499	312,597,449
3020	Trade, Energy & Industry	37,945,627	Trade, Tourism & Investment	131,171,827	144,289,010
3021	Land, Planning & Housing	77,378,199	Lands, Housing and Physical Planning	438,299,698	482,129,668
3022	Transport & Infrastructure	1,298,454,676	Transport & Infrastructure	691,205,663	760,326,229
3023	Agriculture, Livestock & Fisheries	2,695,000	Agriculture, Fisheries, Livestock and Co-operatives	252,023,161	277,225,477
		0	Devolution & Public Service Administration	205,090,000	225,599,000
	TOTAL	2,743,147,030		3,962,569,669	4,358,826,636

TOTAL BUDGET FY 2016/2017					
S/NO	DEPARTMENTS	ACTUAL FY 2016/2017	NEW DEPARTMENTS	PROPOSED 2017/2018	PROPOSED 2018/2019
S/NO	DEPARTMENTS	C	D	E	F=E*1.1
3011	County Executive	286,780,017	County Executive	375,123,017	412,635,319
3012	County Assembly	540,457,810	County Assembly	611,938,336	673,132,170
3013	Public Service Board	47,783,171	Public Service Board	136,119,894	149,731,883
3014	Finance & Economic Planning	1,965,081,096	Finance & Economic Planning	957,221,589	1,052,943,748
3015	Tourism Development and Culture	70,677,866	Environment, Waste Management and Energy	457,992,811	503,792,092
3016	Children (Care, Education, Environment)	1,033,070,417	Education, Information Technology & MV 2035	800,809,352	880,890,287
3017	Health Services	2,899,355,579	Health Services	2,520,449,992	2,772,494,991
3018	Water & Natural Resources	73,447,595	Water, Sanitation & Natural Resources	138,429,394	152,272,334
3019	Youth, Gender & Sports	369,715,814	Youth, Gender , Sports and Cultural Affairs	366,825,511	403,508,062
3020	Trade, Energy & Industry	186,241,760	Trade, Tourism & Investment	445,316,159	489,847,775
3021	Land, Planning & Housing	185,971,683	Lands, Housing and Physical Planning	220,183,410	242,201,751
3022	Transport & Infrastructure	1,731,846,854	Transport & Infrastructure	500,807,858	550,888,644
3023	Agriculture, Livestock & Fisheries	116,645,971	Agriculture, Fisheries, Livestock and Co-operatives	207,307,527	228,038,280
3026			Devolution & Public Service Administration	833,353,864	916,689,250
	TOTAL	9,507,075,631		8,571,878,715	9,429,066,586

Updated Expenditure Projections against CFSP'17 Projections, 2016/17-2018/19

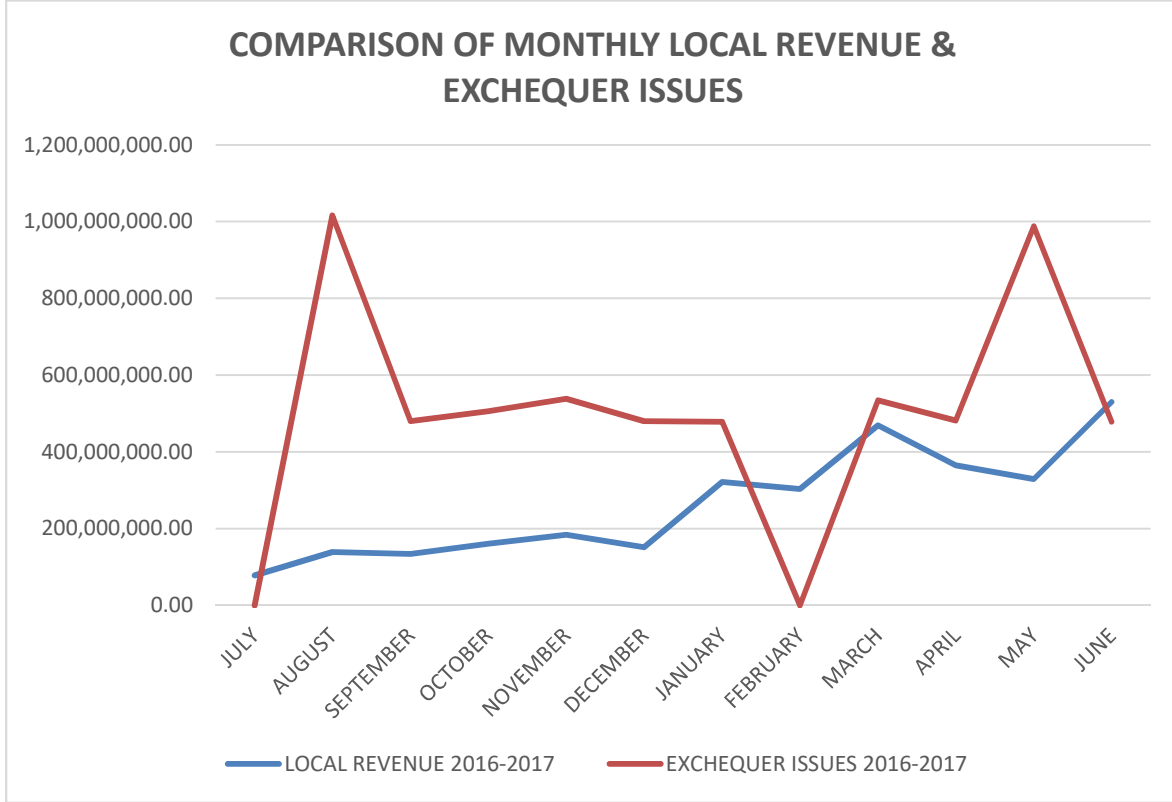
27. Given the above deviations, the revision in revenues and expenditures will be based on the revised assumptions contained in this CBROP and which will be firmed up in the context of the next CFSP. The CG will not deviate from the fiscal responsibility principles, but will make appropriate modification to the CFSP 2018, the financial objectives contained in the latest CFSP, to reflect the changed circumstances.
28. The County Government has automated revenue collection in most sources to reduce spillage, improved efficiency and effectiveness and thus 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.

V. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

29. The commencing of the standard gauge railway during the second quarter has greatly improved mobility and lowered the cost and time taken for transportation of both human and goods to and from the County, and reduced traffic congestion.
30. The aggressive marketing internationally by the National Government has yielded positively as the Tourism sector is now recovering from the previous years of downfall.

Recent Economic Developments

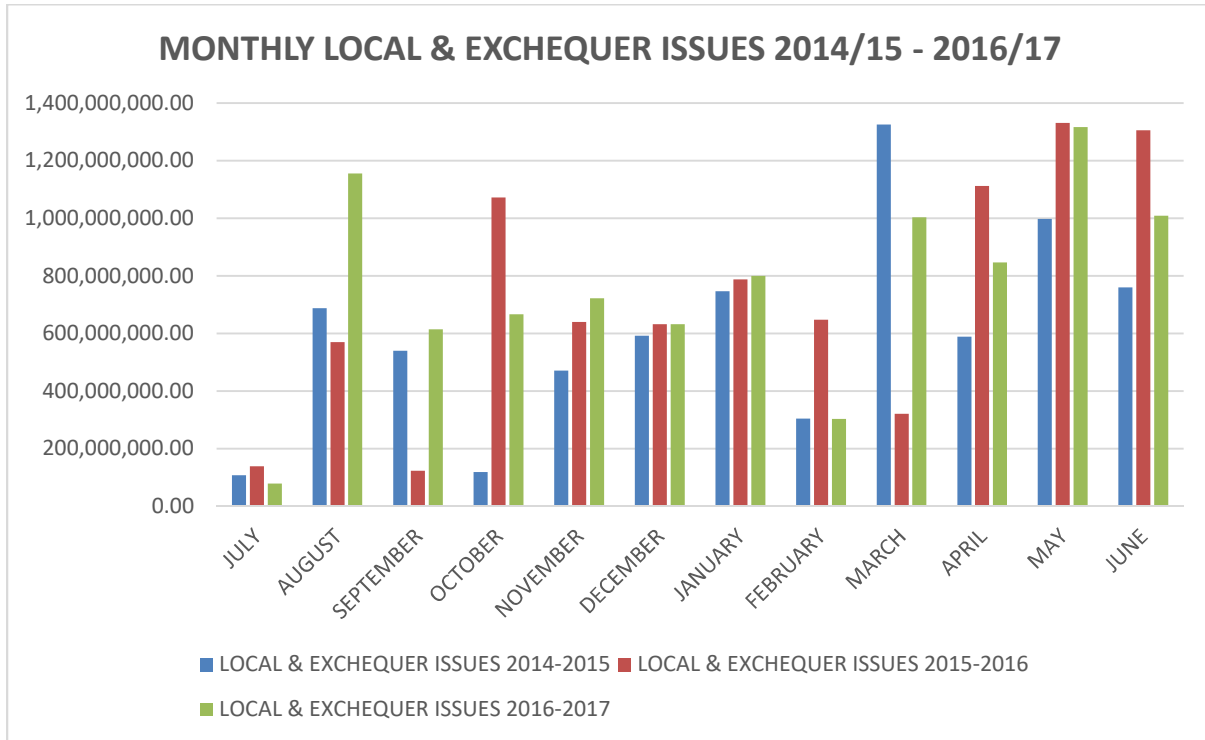
31. Growth in local revenue remained resilient, with the collection being realized in the last two quarters with the highest collection being in June. The Exchequer issues were steady throughout the financial year.



Growth in Revenue remains resilient but downside risks remain

MONTHLY GRAPHICAL COMPARISON FOR LOCAL & EXCHEQUER ISSUES FOR THE FY 2014/15-2016/17

MONTH	KSHS. LOCAL & EXCHEQUER ISSUES 2014-2015	KSHS. LOCAL & EXCHEQUER ISSUES 2015-2016	KSHS. LOCAL & EXCHEQUER ISSUES 2016-2017
JULY	107,993,724.00	138,888,662.00	78,327,409.00
AUGUST	687,653,187	569,934,955	1,155,330,121
SEPTEMBER	540,354,170	123,410,370.00	614,169,921
OCTOBER	118,510,601.00	1,072,735,887	666,800,635
NOVEMBER	471,021,588	639,916,751	722,067,323
DECEMBER	592,447,889	632,492,033	631,961,413
JANUARY	746,732,473	787,407,998	799,675,647
FEBRUARY	304,617,946.00	648,325,175	303,286,028.00
MARCH	1,326,042,828	320,614,826	1,003,791,146
APRIL	588,638,411	1,112,119,278	847,054,039
MAY	997,341,675	1,331,613,343	1,316,671,337
JUNE	759,935,772	1,305,827,907	1,008,792,061
TOTAL	7,241,290,264	8,683,287,185	9,147,927,080



32. Revenue remained constant in the second quarters in the FY 2016/17 and steady increase in all the three FYs. In the third quarter in the three financial years there was a rise in revenue collection attributed highly by the renewal of the single business permits (SBP).

Macroeconomic Outlook and Policies

Global Growth Outlook

33. Though the Global growth slowed down to 3.2 percent in 2016 from 3.4 percent in 2015, it is expected to rise to 3.5 percent in 2017 and 3.6 percent in 2018. This pick up of the global activities is projected from upside developments including stronger activity, expectations of more robust global demand, reduced deflationary pressures, and optimistic financial markets

34. With potentially persistent structural changes in the global economy, Emerging and Developing economies may face a less supportive external environment going forward. The growth in these economies therefore will be supported by internal factors including strengthening institutional frameworks, protecting trade integration, permitting exchange

rate flexibility, and containing vulnerabilities arising from high current account deficits and external borrowing as well as large public debt. Growth is projected to rise from 4.3 percent in 2016 to 4.6 percent in 2017 and 4.8 percent in 2018. This growth is primarily driven by stronger domestic demand, higher public spending, strong credit growth, reliance on public investment, implementation of key reforms, loosening of supply-side bottlenecks, and appropriate fiscal and monetary policies.

35. Sub-Saharan African (SSA) growth declined to 1.3 percent in 2016 from 3.4 percent in 2015 driven largely by challenging macroeconomic conditions that faced the largest economies including disruptions in the oil sector coupled with foreign exchange, power, and fuel shortages, output in Nigeria; drop in commodity prices and drought in South Africa among others. However, this growth is expected to improve to 2.6 percent in 2017 and 3.5 percent in 2018, largely driven by improved macroeconomic conditions in the large economies including recovery in oil production, commodity prices recovery, continued growth in agriculture as drought conditions ease, better terms of trade and higher public investment.

Growth prospects

36. Growth in the East African Community (EAC) region (Kenya, Uganda, Tanzania, Rwanda and Burundi) is projected to pick up in 2017, supported by ongoing infrastructure investment efforts, strong private consumption and the lower global oil prices. The decline in other commodity prices and currency depreciations will partly offset the gains in some of them.
37. The economic outlook takes into account the poor performance in the Agriculture and Electricity and Water Supply sectors following the unfavorable weather conditions experienced in the first quarter of 2017, subdued credit to the private sector and effects of lengthy electioneering period on economic activity. As a result, the economy is projected to expand by 5.5 percent in 2017 from a growth of 5.8 percent in 2016.
38. This growth momentum is expected to rise over the medium term supported by improved global conditions, improved production in agriculture, ongoing recovery of tourism and completion of key public projects in roads, rail and energy generation, resilient exports and benefits from ongoing regional integration efforts. In addition, the strong consumer demand and private sector investment as well as a stable macroeconomic environment in the country will help reinforce this growth.

39. Domestically, the economy is exposed to risks including any occurrence of adverse weather conditions, public expenditure pressures especially recurrent expenditures pose a fiscal risk and any inefficiency in spending government resources that may lower impact of development expenditure. The repeat of the presidential elections also poses risk to the growth as the resources have to be availed for the exercise and may mean foregoing some programmes. The country may also experience the possibility of slowed economic activity as investors' hold- back awaiting the conclusion of the elections.
40. 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.
41. Whereas the revised projected growth is still below the target envisioned in the 2013-17 CIDP needed to increase Mombasa County Growth, the CG recognizes that further scaling up would require mobilization 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.

Inflation Outlook

42. Overall month on month inflation softened for two consecutive months (in June and July 2017), as a result of improved weather conditions and government policy interventions that resulted to significant decline in prices of key food items and converged to the government's target of 5 percent (+/- 2.5 percent). It declined to 9.2 percent in June 2017 and 7.5 percent in July 2017 from a high of 11.7 percent in May 2017. However, in August 2017, the inflation rose slightly to 8.0 percent. This increase is attributed to rise in cost of food and non-alcoholic drinks and transport during the period due to depressed supply especially in the second week of the month; which can be related to the general elections conducted in the said week. The country may also experience the possibility of slowed economic activity as investors' hold- back awaiting the conclusion of the elections.
43. Though on average the annual inflation rate increased to 8.3 percent in August 2017 compared to 6.5 percent in the same period in 2016, it is expected to converge to government's target as the demand pressures have eased and supply has normalized.

Medium Term Fiscal Framework

44. 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.
45. With respect to revenue, the CG will maintain a strong revenue effort at 20 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.
46. 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.
47. 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.

Risks to the Outlook

48. The high wage bill continues to be a major challenge in the implementation of the budget. Currently in the 2017/18 financial year the personnel emoluments stands at 39% of the overall county budget which is 4% way above the statutory requirement of 35%. The County Government inherited staff from the national government in addition to the staff from the defunct Local authority. The recent Salaries and Remuneration Commission's

review of salaries and the allowances for the Health Sector staff is expected to increase the already bloated wage bill.

49. The County is going through a transition period which will see major restructuring within the Departments in terms of personnel and functions which may affect the Outlook. 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.

50. Non timely disbursement of funds by the national government will be another challenge as this could lead to disruption in the activities of the County and compromise service delivery.

51. The repeat of the presidential elections also poses risk to the growth as the investors and partners may shy away from investing and support County Government Programmes. This may also affect the already dwindling Tourism industry that was slowly recovering.

52. In the event, the above risks materialize; the Macro Framework and the Medium Term Sector Ceilings shall be revised in the 2018 Budget Policy Statement.

VI. RESOURCE ALLOCATION FRAMEWORK

A. Adjustment to 2017/18 Budget

53. Given the performance in 2016/17 and the updated fiscal outlook, the risks to the FY 2017/18 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.
54. Adjustments to the 2017/18 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 constrains, 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.
55. Any review of salaries and benefits for the personnel continues to be conducted by the Salaries and Remunerations Commission (SRC) in accordance with Article 230 of the Constitution and Regulations.
56. On the Revenue side, the County Treasury is expected to institute corrective measures to curb the revenue leakages. Options could include enhanced compliance and automation.
57. 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

58. 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.
59. 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.
60. The priority programmes to be implemented in the 2018/19 are expected to accelerate economic activities and socio-economic development through;
- a) Investing in quality and accessible Health Care
 - b) Youth, Sports & Gender empowerment
 - c) Provision of Quality Education
 - d) Water & Transport Infrastructure Development
 - e) Improved Land Services
61. The composition of expenditure will focus on productive capital projects and priority commitments, while protecting budgetary allocations to social sectors, namely; education, health and social protection. The FY 2018/19 MTEF Budget will therefore focus on the following; Employment creation and youth empowerment, improving infrastructure connectivity across the country; Enhancing social welfare programmes in health, education and social protection. The resources earmarked for strategic interventions in the areas of social welfare and youth empowerment will be ring-fenced over the medium term.
62. Reflecting the above medium-term expenditure framework, the tables below provides the tentative projected baseline ceilings for the 2018 MTEF, classified by Departments.

Medium Term Sector Ceiling 2017/18 - 2020/21, Ksh Million

RECURRENT					
S/NO	NEW DEPARTMENTS	PROPOSED 2017/2018	PROPOSED 2018/2019	PROPOSED 2019/2020	PROPOSED 2020/2021
A	B	C	D=C*1.1	E=D*1.1	F=E*1.1
3011	County Executive	375,123,017	412,635,319	453,898,851	499,288,736
3012	County Assembly	611,938,336	673,132,170	740,445,387	814,489,926
3013	Public Service Board	136,119,894	149,731,883	164,705,071	181,175,578
3014	Finance & Economic Planning	957,221,589	1,052,943,748	1,158,238,123	1,274,061,935
3015	Environment, Waste Management and Energy	457,992,811	503,792,092	554,171,301	609,588,431
3016	Education, Information Technology & MV 2035	800,809,352	880,890,287	968,979,316	1,065,877,247
3017	Health Services	2,520,449,992	2,772,494,991	3,049,744,490	3,354,718,939
3018	Water, Sanitation & Natural Resources	138,429,394	152,272,334	167,499,567	184,249,524
3019	Youth, Gender , Sports and Cultural Affairs	366,825,511	403,508,062	443,858,868	488,244,755
3020	Trade, Tourism & Investment	445,316,159	489,847,775	538,832,553	592,715,808
3021	Lands, Housing and Physical Planning	220,183,410	242,201,751	266,421,926	293,064,119
3022	Transport & Infrastructure	500,807,858	550,888,644	605,977,508	666,575,259
3023	Agriculture, Fisheries, Livestock and Co-operatives	207,307,527	228,038,280	250,842,108	275,926,319
3026	Devolution & Public Service Administration	833,353,864	916,689,250	1,008,358,175	1,109,193,993
	Sub Total	8,571,878,715	9,429,066,586	10,371,973,245	11,409,170,569

DEVELOPMENT					
S/NO	NEW DEPARTMENTS	PROPOSED 2017/2018	PROPOSED 2018/2019	PROPOSED 2019/2020	PROPOSED 2020/2021
A	B	C	D=C*1.1	E=D*1.1	F=E*1.1
3011	County Executive	81,648,620	89,813,482	98,794,830	108,674,313
3012	County Assembly	44,268,615	48,695,477	53,565,024	58,921,527
3013	Public Service Board	20,925,803	23,018,383	25,320,222	27,852,244
3014	Finance & Economic Planning	502,657,429	552,923,172	608,215,489	669,037,038
3015	Environment, Waste Management and Energy	56,452,690	62,097,959	68,307,755	75,138,530
3016	Education, Information Technology & MV 2035	370,414,890	407,456,379	448,202,017	493,022,219
3017	Health Services	531,581,774	584,739,951	643,213,947	707,535,341
3018	Water, Sanitation & Natural Resources	352,650,000	387,915,000	426,706,500	469,377,150
3019	Youth, Gender , Sports and Cultural Affairs	284,179,499	312,597,449	343,857,194	378,242,913
3020	Trade, Tourism & Investment	131,171,827	144,289,010	158,717,911	174,589,702
3021	Lands, Housing and Physical Planning	438,299,698	482,129,668	530,342,635	583,376,898

3022	Transport & Infrastructure	691,205,663	760,326,229	836,358,852	919,994,737
3023	Agriculture, Fisheries, Livestock and Co-operatives	252,023,161	277,225,477	304,948,025	335,442,827
3026	Devolution & Public Service Administration	205,090,000	225,599,000	248,158,900	272,974,790
	Sub Total	3,962,569,669	4,358,826,636	4,794,709,299	5,274,180,229

TOTAL					
S/NO	NEW DEPARTMENTS	PROPOSED 2017/2018	PROPOSED 2018/2019	PROPOSED 2019/2020	PROPOSED 2020/2021
A	B	C	D=C*1.1	E=D*1.1	F=E*1.1
3011	County Executive	456,771,637	502,448,801	552,693,681	607,963,049
3012	County Assembly	656,206,951	721,827,646	794,010,411	873,411,452
3013	Public Service Board	157,045,697	172,750,266	190,025,293	209,027,822
3014	Finance & Economic Planning	1,459,879,018	1,605,866,920	1,766,453,612	1,943,098,973
3015	Environment, Waste Management and Energy	514,445,501	565,890,051	622,479,056	684,726,961
3016	Education, Information Technology & MV 2035	1,171,224,242	1,288,346,666	1,417,181,333	1,558,899,466
3017	Health Services	3,052,031,766	3,357,234,943	3,692,958,437	4,062,254,281
3018	Water, Sanitation & Natural Resources	491,079,394	540,187,334	594,206,067	653,626,674
3019	Youth, Gender , Sports and Cultural Affairs	651,005,010	716,105,511	787,716,062	866,487,669
3020	Trade, Tourism & Investment	576,487,986	634,136,785	697,550,463	767,305,510
3021	Lands, Housing and Physical Planning	658,483,108	724,331,419	796,764,561	876,441,017
3022	Transport & Infrastructure	1,192,013,521	1,311,214,873	1,442,336,360	1,586,569,996
3023	Agriculture, Fisheries, Livestock and Co-operatives	459,330,688	505,263,757	555,790,133	611,369,146
3026	Devolution & Public Service Administration	1,038,443,864	1,142,288,250	1,256,517,075	1,382,168,783
	TOTAL	12,534,448,384	13,787,893,222	15,166,682,544	16,683,350,799

C. Departments Budgets and the Transfer of Functions

63. A key challenge in developing the 2018/19 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.
64. 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. Staff need to be deployed and rationalized to streamline the County activities.
65. 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. 2018/19 Budget Framework

66. The 2018/19 budget framework is set against the background of the updated medium-term macro-fiscal framework set out above.

Revenue Projections

67. The 2018/19 budget targets local revenue of Kshs 3.9 billion and National Government transfer of 9.9 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 Ksh 13.8 billion.

Expenditure Forecasts

68. In 2018/19, overall expenditures are projected to be 13.8 Billion

VII. CONCLUSION AND WAY FORWARD

69. The fiscal outcome for 2016/17 together with the updated forecast have had ramification of the financial objectives elaborated in the last CFSP 2016.
70. The FY 2018/19 and the Medium Term budget and fiscal framework projections presented in this CBROP takes into account the expected recovery in the global economy and risks facing our economy such as public expenditure pressures which may reallocate resources from the productive sectors.
71. As such, there is moderate growth in the overall revenue collection and a decline in overall recurrent expenditure as more resources are allocated to development projects. These measures take into account the need to maintain fiscal discipline in all levels of the government for maximum return from public resources. 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.
72. The policies ensures continuity in resource allocation based on prioritized programs that have been earmarked by the government to accelerate growth, employment creation and poverty reduction.
73. 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.
74. 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 continued experiencing 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.

75. The policies and sector ceilings annexed herewith will guide the Departments in preparation of the 2018/19 budget. This will go a long way in minimizing underutilization greatly visible in the FY 2016/2017. The CG should scale down its budget and then increase it gradually over the medium term as it expands its revenue base. The ceilings will form inputs into the next County Fiscal Strategy Paper (CFSP) which will be finalized by February 2018.

ANNEXES

ANNEX 1. COMPARISON OF EXCHEQUER ISSUES AND LOCAL REVENUE COLLECTION BY ON MONTHLY BASIS 2016-2017.

MONTH	LOCAL REVENUE 2016/2017	EXCHEQUER ISSUES 2016/2017
JULY	78,327,409	0
AUGUST	138,978,980	1,016,351,141
SEPTEMBER	134,037,320	480,132,601
OCTOBER	160,474,776	506,325,859
NOVEMBER	183,999,072	538,068,251
DECEMBER	151,828,812	480,132,601
JANUARY	321,392,757	478,282,890
FEBRUARY	303,286,028	0
MARCH	469,422,317	534,368,829
APRIL	365,071,728	481,982,311
MAY	328,912,588	987,758,749
JUNE	530,509,174	478,282,887
TOTAL	3,166,240,961	5,981,686,119

To compare Revenue collection between two major sources

ANNEX 2: COMPARISON OF LOCAL REVENUE BETWEEN FY2014/2015 TO FY 2016/2017

MONTH	2014/2015	2015/2016	2016/2017
JULY	104,030,972	138,888,662	78,327,409
AUGUST	93,759,799	121,870,568	138,978,980
SEPTEMBER	95,400,916	123,410,370	134,037,320
OCTOBER	116,757,916	115,703,161	160,474,776
NOVEMBER	102,318,612	122,057,894	183,999,072
DECEMBER	191,916,082	115,254,598	151,828,812
JANUARY	336,767,628	337,339,057	321,392,757
FEBRUARY	346,773,579	200,260,788	303,286,028
MARCH	413,101,785	308,215,252	469,422,317
APRIL	211,331,816	612,075,951	365,071,728
MAY	143,751,841	376,582,733	328,912,588
JUNE	335,744,384	371,871,652	530,509,174
TOTAL	2,491,655,330	2,943,530,686	3,166,240,961

To Compare Local Revenue between three fiscal years

**COUNTY GOVERNMENT OF MOMBASA
SUMMARY OF 12 MONTHS PERFORMANCE UPTO 30 JUNE 2017**

REVENUE	SUPPLEMENTARY BUDGET FY2016-2017	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	ACTUAL	% COLLECTION
	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.
	A	B	C	D	E	F	G	H	I	J	K	L	M	N=SUM B TO M	O= N/A %
LOCAL REVENUE	5,289,747,004	78,327,409	138,978,980	134,037,320	160,474,776	183,999,072	151,828,812	321,392,757	303,286,028	469,422,317	365,071,728	328,912,588	530,509,174	3,166,240,961	60
EXCHEQUE R ISSUES	6,357,949,738	0	1,016,351,141	480,132,601	506,325,859	538,068,251	480,132,601	478,282,890	0	534,368,829	481,982,311	987,758,749	478,282,887	5,981,686,119	100
TOTAL	11,647,696,742	78,327,409	1,155,330,121	666,800,635	722,067,323	631,961,413	799,675,647	666,800,635	303,286,028	1,003,791,146	847,054,039	1,316,671,337	1,008,792,061	9,147,927,080	79